



The Energy Secretary's
Wonky Quest
To Save the World

The Dangers
Of Texting
While Driving



Taking Stock
Of Woodstock,
40 Years After



Las Vegas lost big
in the real estate bust.
Now it's gambling on a
comeback. A journey to the
heart of the American Dream

BY JOEL STEIN

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On the cover: Photo-Illustration by TIME. Photograph by Tom Grill—Getty. Insets, from left: Jose Mandojana for TIME; Elliott Landy—Getty

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Postcard: Oak Bluffs. The Obamas' vacation destination is a picture of racial harmony—and it's ready to cash in on their visit. Martha's Vineyard awaits the First Family

BY TIM ROGERS



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FROM THE KENNEDYS TO THE CLINTONS to the unfortunate shark victims of *Jaws*, Martha's Vineyard, an island off the Massachusetts coast, has long conjured visions of well-heeled, sun-burned Caucasians swarming its beaches and boardwalks in Top Siders and pastel shorts. Yet when President Barack Obama and his family descend on this dune-swift summer playground the last week of August, they'll also find an island of rich diversity and harmonious race relations.

"Martha's Vineyard is the most integrated community I have ever experienced," says Harvard scholar Henry Louis Gates Jr. The island's minority population isn't huge (of its 65,000 summer residents, only about 3,000 are black), but it is extraordinarily well integrated. The Vineyard has long been the summer home of black luminaries including Gates, Harlem Renaissance writer Dorothy West and Congressman Adam Clayton Powell Jr. (who honeymooned here in 1934). "That is why I like it here," Gates told *TIME* after returning from his White House beer summit with Obama and Sergeant James Crowley, the Cambridge, Mass., police officer whose altercation with Gates sparked a summer's worth of agitated headlines. "To me, it's racial heaven."

African Americans have been coming to Martha's Vineyard since the 18th century, according to historian and resident Robert Hayden; many current black residents can trace their homes back for generations. While the first African slaves arrived on the island in the 1700s, freed blacks came to work in the service industry after the Civil War, and later they came as entrepreneurs. Eventually they were absorbed into an emerging community of African-American professionals, many of whom summer in picturesque Oak Bluffs, an oceanfront town of quaint gingerbread homes. "They were not segregated in the island community, as blacks were by law



On the waterfront Watching the sun set from the historically black town of Oak Bluffs

in the Jim Crow South or by custom and tradition in the North," Hayden explains, thanks to the parallel development of black and white communities on the island and the tolerant attitudes of its early Quaker and Methodist residents.

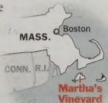
Gates attributes the island's racial accord to the fact that Martha's Vineyard is "one of the oldest, if not the oldest, places in America where African Americans can own beachfront property." Residents also never got too hung up on the issue of racially integrated beaches, which elsewhere had offended the propriety of some whites.

Obama, however, probably won't be going bare-chested again on the beaches of Oak Bluffs, where he's stayed in the past. Instead, this summer, at the behest of the Secret Service, the First Family will stay at a secluded estate in Chilmark that rents for up to \$50,000 a week—which unmistakably qualifies it as part of the elite summer crowd. No one in Oak Bluffs seems offended. "This is a very special place for all of us, and we are just thrilled he is coming," says Hayden.

Business owners are also excited. Nancy Gardella, executive director of Martha's Vineyard's Chamber of Commerce, remembers how former President Bill Clinton's summers on the island gave a "tremendous boost" to the local economy and helped "turn the tide" on the island's real estate market in the early 1990s. She hopes Obama will be a regular visitor "for the next seven years."

Vendors across the island are already pushing a variety of Obama souvenirs in anticipation. T-shirts that play on the iconic Shepard Fairey poster of Obama read *RELAX* instead of *HOPE*; others say *I VACATIONED WITH OBAMA ON MARTHA'S VINEYARD*. Sharky's, a Mexican restaurant in Oak Bluffs, is offering "Obamaritas" and "Barack O. Tacos." Even the Buddhist-themed gift store Glimpse of Tibet is peddling notebooks featuring a picture of Obama with the Dalai Lama.

For some, however, the President's visit would better serve Vineyarders if timed during the off season. "August is already crazy here," notes a full-time resident and business owner. "Why can't he come in February, when the island's economy really needs the help?"



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Obama's Health-Care Drama

YOUR COVER STORY "PAGING DR. OBAMA" was timely [Aug. 10]. Unfortunately, the President's plan misses a fundamental point. Our flawed legal system is largely responsible for the way doctors defensively practice medicine and the pharmaceutical and insurance companies and hospitals gouge consumers unlike anywhere else in the world. Nowhere else are there as many malpractice suits as in the U.S. Shame on the lawyers who load the judicial system with phony lawsuits. Without appropriate malpractice reform, nothing will improve.

Sudhir K. Bhaskar, ORLANDO, FLA.

IT IS CLEAR THAT OUR HEALTH-CARE SYSTEM needs improvement, but many average Americans do not trust the government to do the job. A large part of the reason may be that what Congress designs for us is guaranteed to be, as with Social Security and retirement plans, vastly inferior to what they create for—and bestow upon—themselves.

Kenneth Solnit, CUPERTINO, CALIF.

'Black or white, rich or poor—if you act stupidly, as Gates did, your arrest ought to come as no surprise.'

Michael Partyka, FRISCO, TEXAS

HEALTH-INSURANCE COMPANIES HAVE been spending \$1.5 million a day to convince Congress that a public option should not be part of health-care reform. And that is only the money that is being spent on lobbying. Millions more is spent on advertising. Where does that money come from? It comes from our premiums. Every million dollars spent to destroy the public option and to mold health-care legislation so that it favors insurance companies is a million dollars that is not being spent on patients.

Karen Wagner
ROLLING MEADOWS, ILL.

SHOULDN'T THOSE WHO LEECH OFF OUR current health-care system with preventable illnesses caused by nongenetic

TOUTING TORT REFORM

AS AN ER DOCTOR WHO WORKS ON THE front lines of our troubled health-care system, I found your portrayal of

LETTER FROM A DOCTOR

President Obama wearing a white coat incongruous and offensive [Aug. 10]. I voted for Obama and agree that this country needs a health-care overhaul, but he is not a doctor. If he were, he might understand that it is impossible to fix the system without addressing tort reform. It is estimated that hundreds of billions per year is spent on malpractice insurance and defensive medicine. Without including these costs in the discussion, we have no hope of providing sustainable health care to everyone in this country.

Dr. Ritu Saluja, WASHINGTON

obesity, smoking and alcohol abuse have to pay more than those of us who understand the painfully simple concepts of good health and prevention?

Thaddeus Labhart, BURNS, ORE.

Opening the Racial Floodgates

I TAKE OFFENSE TO TA-NEHISI COATES' article "When Race Matters" [Aug. 10]. Why is everyone overlooking the fact that Henry Louis Gates Jr. immediately started mouthing off and playing the race card? A cop's job is tough enough. Why couldn't he have simply answered the officer's questions and said, "Thanks for looking out for us?"

Jimmy Doich, RALEIGH, N.C.

THOUGH MANY AMERICANS WERE EXTREMELY disappointed by the President's backtracking on his original remarks regarding the actions of the Cambridge police, in reality, to arrest a man in his own house is, in fact, stupid—particularly if he is only angry and is nonthreatening. We as a country are in turmoil when the masses are too immature to allow our distinguished and accomplished representatives to openly participate in intelligent, pointed dialogue about the incident. We need to continue a broader discussion of the race and class issues that still plague our society.

Alison McDonald, PASADENA, CALIF.


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Nuts to Netflix

RICHARD CORLISS'S ARTICLE ABOUT NETFLIX was obviously written based on big-city experience [Aug. 10]. What about small-city dwellers and rural folks who do not have a large choice of movies or a movie theater nearby? I'm a big fan of Netflix. I've never had any delay in delivery, and I enjoy a wide choice of foreign movies, old and new. Netflix is a service I could not live without.

Therese Namenek, LYNCHBURG, VA.

I HAVE OWNED A LOCAL VIDEO STORE FOR the past 26 years, and TIME's critique of Netflix hit the nail on the head. I think it makes a difference for a town to have a center of culture like a local video store—a place to talk and interact with a staff that understands the whole community and can help people develop their interests. I see the loss of my type of business as a great loss to American culture.

Jack Trifiro, NEW CANAAN, CONN.

I TOO MISS THE LOCAL MOM-AND-POP VIDEO stores, where you could talk to real people about movies. But don't blame Netflix for their demise. It was the Blockbusters and Hollywood Videos of the world that toppled small shops with their discount prices and large selections. Yes, I miss my old neighborhood video store, but for absolute convenience and cost per rental, the mail-order business model is tough to beat.

Mitch Wolf, PISMO BEACH, CALIF.

Judd Apatow: Funny Person

JOEL STEIN'S PROFILE ON JUDD APATOW was right on the mark [Aug. 10]. I have been following Apatow's career since The 40-Year-Old Virgin. Since then, he has truly established himself as the king of bromances. His ability to churn out hilarious and culturally poignant films is second to none and is an inspiration to aspiring directors such as myself.

John Taggart, NEW YORK CITY

TO PRAISE A WRITER LIKE APATOW, WHOSE biggest jokes are about sexual crudeness and curse words, is a joke in itself. He lacks the ability to write humor that appeals beyond the adolescent audience. Yes, he's hung around Hollywood long enough to earn a reputation as a money-

maker, but he should not be mentioned in the same sentence as Woody Allen or James L. Brooks.

Marcia Norman, TENINO, WASH.

From Quill to QWERTY

CLAIRE SUDDATH'S ARTICLE ON THE DECLINING state of cursive handwriting was both intriguing and shocking [Aug. 3]. It saddens me to see the art of penmanship fading away, yet in times like these, it seems inevitable. With the rise of text-messaging and computers, people are more than willing to use a keyboard in lieu of a pencil to express their thoughts. It is disheartening to see one of man's greatest gifts transition from beauty to mediocrity.

Arthur Tang, MILPITAS, CALIF.

I FAIL TO SEE THE VALUE OF USING CURSIVE. I always thought the purpose of good handwriting was its ability to accurately convey the ideas of its author. As long as the writing is legible, all other elements are secondary. I am optimistic about the future of the written word. I think that with the many computer writing options, the focus of a piece can return to its content, not its execution.

Gabriel Blanco, CINCINNATI, OHIO

Warning on Reverse Mortgages

WHILE I APPLAUD CYBELE WEISSER'S PIECE concerning reverse mortgages, I want to take issue with one conclusion stated in the article: "Lenders have to eat the difference if a home ends up declining in value" [July 20]. Wrong. Taxpayers make up the difference, not lenders. A little over a month ago, the Department of Housing and Urban Development (HUD) asked for \$800 million to cover losses on its reverse-mortgage program. That is because HUD insurance allows lenders to assign loans to HUD once the value of the home has dropped to nearly the value of the loan. So far, more than \$1 billion in loans has been passed on to HUD. With fluctuating home values and interest rates, it is difficult to know how much more money HUD will have to come up with. The more loans it insures, the greater the risk to taxpayers. Without greater oversight, that initial \$800 million will just be the start. While reverse mortgages can provide financial help to seniors, they are expensive and complicated, and ultimately, taxpayers will foot the bill if the loan goes bad. After the subprime mess, we cannot afford to let history repeat itself.

Claire McCaskill, U.S. Senator
ST. LOUIS, MO.

'People's reaction to receiving a handwritten letter is illuminating. It's no small thing to bring a little beauty into the lives of others.'

William Rowan, LANSING, MICH.

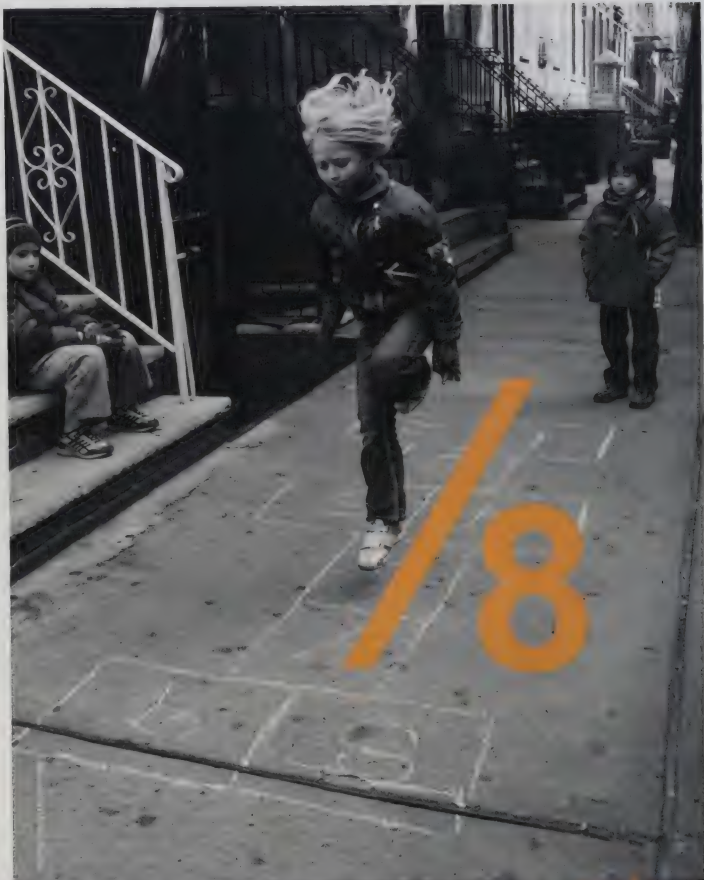
30 July 2009
Dear Mr. Sped. G.
Your article on handwriting in a recent issue of TIME was quite interesting. A number of years ago I decided that sacrificing beauty on the altar of speed & efficiency was shortsighted, not just in regards to handwriting, but in every worthwhile endeavor. There will always be those who are satisfied with just getting things done quickly, but none of the great or lasting thinkers is among them.
A number of years ago...
I believe...
Script is here to stay Readers showed off their cursive skills to prove that the style is alive and well



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Collateral Damaged: The Marketing of Consumer Debt to America

By Charles R. Geisst;
Bloomberg Press; 288 pages

ABOUT 80 PAGES INTO HIS recounting of our misadventures with borrowed money, finance professor Charles Geisst describes the credit-card industry of the early 1970s. You wouldn't recognize it. A piece of plastic that allowed a person to carry a balance was a fairly new concept, and if you had one, you also probably earned a decent salary—because a company wouldn't give you an unsecured loan otherwise. How quaint.

Geisst then dives into what follows. America binges beyond its means on credit cards and home-equity loans, thanks to easy regulation (the end of the bank-limiting Glass-Steagall Act, for instance) and even easier money (cards and mortgages for the asking, thanks to a tsunami of financing from commercial paper and securitization). This is well-worn ground of late, and Geisst isn't the most eloquent in covering it.

What's more novel is the historical context he provides to help explain our lust for debt. Overborrowing, it turns out, is a common human endeavor. In the 14th century, Edward III of England had a debt-to-income ratio of 3 to 1; he pawned the crown jewels at one point and left his pregnant wife in France as collateral. A few years later, on the other side of the pond, William Duer got in over his head buying bank stocks on margin, helping cause the 1792 New York stock-market crash (and inspiring the first U.S. bankruptcy code). The free spending of the 1920s is still the quintessential picture of that roaring decade. As Geisst reminds us, it was the first time, but not the last, that consumer spending hit two-thirds of national output.

Through much of the narrative, Geisst weaves in the concept of usury. For millenniums, societies have struggled with how



much interest lenders may fairly charge. The Romans said no more than 10%, the medieval church tolerated 4% to 5%, and the 15th century Brits couldn't make up their minds, going from 10% to none (like the Muslims) and then back to 10%.

Geisst argues that the lack of strict usury restrictions in modern America—Citibank took its credit-card outfit to South Dakota in 1980 specifically for the easy lending laws there—has been a key cause of our recent woes. Charging higher interest to less stable borrowers may be framed as the democratization of credit, but in another light it's the overextension of debt. As we've been reminded yet again, that comes with consequences. —BY BARBARA KIVIAT



\$20 per Gallon: How the Inevitable Rise in the Price of Gasoline Will Change Our Lives for the Better

By Christopher Steiner;
Grand Central Publishing;
283 pages

WE'VE ALL SEEN DEPICTIONS OF CITIES of the future: people packed into urban centers with flying cars whipping around high-rises. This vision may not be far off,

according to Christopher Steiner, a *Forbes* writer. In each chapter he addresses how our lives will change with \$2-per-gal. increases in gas—changes like a huge reduction in air travel (at \$8). There are positives too, such as a return to local food production (at \$16) and expansion of the high-speed-train system (at \$18). Still no flying cars, though. —BY REBECCA KAPLAN



Next Stop, Relo: Life Inside America's New Rootless Professional Class

By Peter T. Kilborn;
Times Books; 254 pages

FOR YEARS, FAMILIES HAVE been making a mass exodus from cities to the contentment of suburbia. In *Relo*, Peter T. Kilborn focuses on a more recent phenomenon: work-imperative relocation. "Relos" must contend with an ultra-competitive job market, now made worse by recession, that drags them and their families from town to town. Kilborn examines the price families pay in Relo-villes as they try to maintain a bit of consistency in their lives and concludes that the trend isn't so much good or bad as just rather sad. —BY ERIC DODDS



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The Moment

8/11/09: Pennsylvania

THE BEARDED MAN WAS shouting at Senator Arlen Specter, though the two were only a few feet apart. "You can do whatever the hell you please to do," he sputtered at a forum in Lebanon, Pa. "One day God's going to stand before you, and he's going to judge you and the rest of your damned cronies on the Hill. And then you'll get your just deserts."

How many Americans does 59-year-old Craig Anthony Miller speak for?

The answer isn't simple. From Maryland to Michigan to Missouri, lawmakers on their August recess encountered voters skeptical or downright livid about health-care reform—and some who turned up at town halls to applaud it. In many places, the shouting started hours before the doors opened, as the armies for and against waited outside by the thousands just to get in.

Opponents of "Obamacare" tried to buy time with the far-fetched claim that reform

would leave federal "death panels" to decide which ailing seniors deserved life-saving care. In other places, rumor drove the debate. At a town hall outside Detroit, a man complained to Democratic Representative John

Those against health-care reform, Obama said, 'will try to scare the heck out of folks.'

Dingell that his mentally handicapped son would "be given no care" under the Obama plan.

Some of the passion stems from a legitimate frustration that the government is already too deeply involved

in the economy and is about to be more so. But some is simply self-interest. "All we are saying," sang the doubters in Towson, Md., co-opting the John Lennon ditty from 1969, "is pay your own bills."

As the skirmishes gathered momentum on cable TV, the White House attempted to turn a position of weakness into an opportunity: with its opponents overplaying their hand, the Administration scheduled a series of town halls with Obama to calm the situation. "People who want to keep things the way they are will try to scare the heck out of folks," he said in Portsmouth, N.H. "They'll create bogeymen out there that just aren't real."

—BY MICHAEL DUFFY

The World

10 ESSENTIAL STORIES



A Burmese man attends a July 31 rally in Thailand calling for Aung San Suu Kyi's release

1 | Burma

The Lady Remains a Captive

It could have been worse. Burmese opposition leader and Nobel laureate Aung San Suu Kyi will spend 18 more months under house arrest as a prisoner of the country's military junta for violating the terms of an earlier sentence after an American man swam uninvited to her lakeside home in May. The good news: the latest sentence, by military decree, is shorter than the maximum of five years in prison. Suu Kyi will be confined long enough to ensure that she is not a player in Burma's 2010 elections, which are expected to shore up the junta's power. The democracy activist has spent 14 of the past 20 years incarcerated. "She should not have been tried. She should not have been convicted," said U.S. Secretary of State Hillary Clinton. "We continue to call for her release."

2 | Washington

More Strife Over Ousted Attorneys

House Democrats released thousands of pages of congressional testimony and White House e-mails they say are evidence that senior aides to President George W. Bush played improper roles in the 2006 firings of nine U.S. Attorneys. The documents indicate that political strategist Karl Rove placed an "agitated" phone call complaining about New Mexico U.S. Attorney David Iglesias, who was later pink-slipped. (Rove insists he did nothing wrong.) The scandal led to the resignation of Attorney General Alberto Gonzales; a criminal probe continues.

3 | Washington

Unsparring with the Rod

According to a new report by the ACLU and Human Rights Watch, more than 200,000 U.S. schoolchildren were subjected to corporal punishment during the 2006-07 academic year, with disabled students receiving a disproportionate share. In Tennessee, one of 20 states where physical discipline is legal, children with disabilities were twice as likely to be paddled.

States with the Highest Levels Of Corporal Punishment

		Number of
Texas	49,157	students
Mississippi	38,131	punished
Alabama	33,716	
Arkansas	22,314	
Georgia	18,249	
Tennessee	14,868	
Oklahoma	14,828	
Louisiana	11,080	
Florida	7,185	
Missouri	5,129	

SOURCE: U.S. DEPARTMENT OF EDUCATION OFFICE FOR CIVIL RIGHTS



Hundreds of people flocked to an Aug. 6 town-hall meeting on health-care reform

4 | Florida

Tensions Rise over Health Care

In the ongoing debate over health-care reform, critics have fixated on the bogus suggestion that "death panels" could deny end-of-life care to ailing seniors. The contention, voiced by Republicans like Sarah Palin, sparked a series of skirmishes at town halls around the country. Defending his proposals in New Hampshire, President Obama denounced the claim as a "scare tactic."

5 | Islamabad

Dead ...?

U.S. and Pakistani officials strongly believe that Baitullah Mehsud, the secretive leader of Pakistan's Taliban, was killed in a U.S. drone attack on Aug. 5 in South Waziristan, despite assurances from a Taliban spokesman that the warlord was "safe." Pakistani officials are awaiting results of DNA analysis comparing the remains with those of Mehsud's brother, who was killed last October. Analysts suspect the Taliban could be denying the death until a replacement for Mehsud is chosen. Meanwhile, two senior Taliban leaders, potential Mehsud successors, were reportedly killed in subsequent days—possibly in a feud for control.

6 | Indonesia

... Or Alive?

DNA tests indicate that the body of a militant slain in a shoot-out with police on Aug. 8 was not that of Southeast Asia's most wanted terrorist, Noordin Top, who is believed to be the mastermind behind the bombings that killed seven at two upscale Jakarta hotels last month.

Numbers:

7

BILLION

Projected world population by 2010, largely the result of growth in developing nations

230

City mileage that GM claims its electric car, the Chevy Volt, will achieve, making it M.P.G. the most fuel-efficient U.S. vehicle



7 | China

FACING NATURE'S FURY Typhoon Morakot ravaged the Philippines and Taiwan before slamming into China's southeastern coast, flooding thousands of acres of farmland and forcing a million people to flee Fujian and Zhejiang provinces. Beijing estimates that the storm—the ninth in this year's Pacific typhoon season—destroyed 6,000 homes and inflicted \$1.3 billion in damage. Morakot also breached dikes in the northern Philippines, flooding several villages (above), and walloped Taiwan with 74-m.p.h. winds, killing at least 62 people and causing the island's worst floods in 50 years.

8 | Niger

No Limits

President Mamadou Tandja has been cleared to run for a third term after Nigeris overwhelmingly voted in a referendum to overturn a constitutional two-term limit. Opposition leaders accused Tandja, in office since 1999, of destroying the nation's democratic institutions and voiced their concerns about Niger's possible slip into dictatorship. Tandja defended the move, saying he needed more time to oversee large-scale foreign investments.

African nations that have removed or extended term limits

TUNISIA
ALGERIA
MOROCCO

GAMBIA
BURKINA FASO
NIGER
EQUATORIAL GUINEA
CAMEROON
ANGOLA

■ No term limits

LIBYA
EGYPT

ERITREA
CHAD
SUDAN
UGANDA

ZIMBABWE
LESOTHO
SWAZILAND

1 TEODORO OBIANG
NGUEMA MBASOGO

Equatorial Guinea
30 years
He deposed and executed his uncle to take power. State-owned radio has declared him a "god" in "contact with the Almighty"

2 MUAMMAR GADDAFI

Libya
40 years
The world's third-longest-serving current head of state has called for an end to term limits for all African leaders

3 ROBERT MUGABE

Zimbabwe
29 years
Now part of a power-sharing government, he has driven his country's inflation rate up to about 89.7 sextillion percent

9 | Caracas

Par for the Course

Hugo Chávez is not a fan of golf. Since the Venezuelan President derided the "bourgeois sport" on state television last month, his supporters have rallied to close two of the nation's best-known courses and use the land for housing, according to the *New York Times*. "I respect all sports," Chávez declared. "But there are sports, and there are *sports*."



A crater left by an Aug. 10 truck bomb that targeted a Shi'ite community near Mosul

10 | Baghdad

A Bloody August

The chaos of Iraq's recent past has returned to parts of the country. Since Aug. 1, bombings have killed more than 150 people, many of them Shi'ites in Baghdad and the northern city of Mosul. The attacks represent the worst violence since U.S. forces withdrew from Iraq's cities on June 30 and mark the end of a period of declining bloodshed. So far, Shi'ites have resisted anti-Sunni reprisals.

★ What They're Suspending in the U.S.:

Strapped for cash, Florida, Massachusetts and Maryland eliminated their annual sales-tax holidays—periods in August when customers can buy items like clothing and school supplies tax-free. While critics argue that the consumer savings would have stimulated the economy, the states say their ailing budgets desperately need to retain the millions in tax revenue.

\$65

MILLION

Value of jewelry and watches stolen from a London boutique in one of the biggest heists in British history

52,000

Number of suspected U.S. tax evaders whose names may be released by UBS now that the Swiss banking giant has settled with the IRS

Spotlight

Congressional Aircraft



The 89th's Most Frequent Flyers



44%
MILITARY
42%
WHITE HOUSE
14%
CONGRESS

Aim High

The Pentagon asked for four new executive jets for the Air Force's 89th Airlift Wing. Congress added four more.

- ✕ Current Fleet
- ✕ Pentagon Request
- ✕ Congress Addition

IT WAS ONE SPENDING PROPOSAL THAT NEVER GOT OFF THE ground. Almost as quickly as the U.S. House of Representatives could add \$330 million to the budget to bolster the government's luxury-jet fleet, public outcry prompted House leaders to strip the four proposed new aircraft from next year's defense-spending bill.

The firestorm of criticism—"Talk about the wrong message at the wrong time," sniped Missouri Senator Claire McCaskill—seemed to take House leaders by surprise, even following last year's howls of outrage after U.S. auto executives flew into Washington on private jets to seek government bailouts. Supporters of the proposal argued that the jets were necessary replacements for aging aircraft and would be less costly to fly, and noted that such planes—used to fly generals and White House officials around the globe—would carry

members of Congress only about 14% of the time.

While some lawmakers dismiss congressional travel as a needless burden on taxpayers, the hidden tug-of-war over the planes reveals just how comfortable others have become in such friendly skies. In March the nonprofit group Judicial Watch obtained e-mails from House Speaker Nancy Pelosi's office urging that more military airplanes be made available for congressional use. "It is my understanding there are NO G-5s available for the House during the Memorial Day recess," a May 2007 message said. "This is totally unacceptable."

Mounting demand for congressional travel may help explain why the House initially ordered the Pentagon to buy two more \$65 million Gulfstream V jets as part of the \$636 billion defense budget, along with a pair of \$70 million military-grade Boeing 737s.

It's easy to see why lawmakers might become accustomed to flying on the 89th Airlift Wing's jets. The planes sport first-class leather seats, workstations and galleys and are staffed with military personnel to whip up passengers' meals, carry their bags and fix their favorite drinks. And they can stretch out: the C-40, a military version of the 737, can fly with as few as five lawmakers aboard. The same planes carry up to 149 passengers for commercial airlines.

—BY MARK THOMPSON

1	2	3	4	5
Gulfstream III	Boeing 737	Boeing 747	Boeing 757	Gulfstream V
✕ ✕ ✕ ✕ ✕	✕ ✕	✕ ✕	✕ ✕ ✕ ✕	✕ ✕ ✕ ✕ ✕
✕ ✕ ✕ ✕ ✕	✕ ✕ ✕			✕
✕ ✕	✕ ✕			✕ ✕
AIR FORCE ROLE Special air and operational support missions	AIR FORCE ROLE High-priority personnel transport	AIR FORCE ROLE Presidential transport as Air Force One	AIR FORCE ROLE High-priority personnel transport	AIR FORCE ROLE Special air missions
COST \$29.4 million	COST \$70 million	COST \$325 million	COST \$65 million	COST \$66 million
FEATURES Full office capabilities, seating for 12 passengers	FEATURES Cooking facilities, spacious sleeping accommodations	FEATURES 85 telephones, a medical suite, an in-flight refueling connection	FEATURES Can seat up to 200 passengers; referred to as Air Force Two when the Vice President is aboard	FEATURES Four distinct living areas, three temperature zones, 6,300-mile range

Brief History

Prison Riots



WIELDING METAL PIPES AND SHARDS OF SHATTERED glass, inmates rampaged through a jam-packed Chino, Calif., prison Aug. 8, leaving 175 prisoners injured and a dormitory engulfed in flames. Officials say the four-hour riot was fueled by racial tensions between black and Latino inmates, slated to be integrated more closely to comply with a 2005 Supreme Court ruling that barred the state from automatically dividing prisoners by race. Experts also blame the rampant overcrowding in California's 33 state prisons. Just four days earlier, a panel of judges had ordered officials to reduce the prison population by 40,000 inmates within two years.

By their nature, prisons are combustible places that can swiftly become violent. The nation's first recorded uprising took place in Connecticut's Newgate Prison in 1774, and by one estimate, the 20th century saw more than 1,300 riots behind bars. The bloodiest broke out at New York's Attica Correctional Facility in 1971, when authorities ended a four-day hostage crisis with tear gas and bullets; 32 inmates and 11 employees were killed. Prison riots can be even more lethal abroad, especially where extreme overcrowding and human-rights violations are commonplace. In 1992 authorities brutally crushed an uprising in São Paulo, Brazil, killing 111 prisoners (a police colonel was sentenced to 632 years in prison for the massacre, but his conviction was overturned).

One of the few groups to benefit from prison unrest is the growing corrections-technology industry, maker of such products as stab-resistant body armor and cell doors that open in two directions, making them harder to barricade. A major trade show and a mock prison riot are scheduled for next spring in West Virginia. The tagline: "Where technology meets mayhem." —BY RANDY JAMES

SANTA FE, N.M., 1980 The aftermath of a gruesome riot in which 33 inmates died—many tortured by fellow prisoners



ATTICA, N.Y., 1971 More than 1,000 prisoners rebelled, taking dozens of hostages; 43 people died



LUCASVILLE, OHIO, 1993 One of America's longest prison sieges, lasting 11 days. A guard and nine inmates were killed

THE SKIMMER



A Colossal Failure of Common Sense: The Inside Story of the Collapse of Lehman Brothers

By Lawrence G. McDonald
with Patrick Robinson;
Crown Business; 368 pages

DICK FULD WAS WARNED. Years before Lehman Brothers tumbled into bankruptcy, roiling markets and setting off a string of massive bailouts, underlings informed the investment bank's CEO that Lehman should get out of real estate before the credit bubble burst. Fuld ignored them. So while the bank's chief loaded up on overpriced property from the 31st floor of Lehman's New York City headquarters, his bond traders were downstairs shorting shares of mortgage brokers. Lawrence G. McDonald was one of those traders, and in his rendering of Lehman's demise—nimble told with novelist Patrick Robinson—the bond traders are the smart guys, the real estate dealmakers are the bad guys, and the folks in charge are the idiots. What McDonald fails to note—even while illustrating it with an arrogant panache—is that Wall Street's egotism was hardly confined to Lehman's executive suite. This time it was mortgages; next time it will be something else.

—BY BARBARA KIVLAT

READ

SKIM

TOSS

Verbatim

'Let's not Rumsfeld Afghanistan.'

LINDSEY GRAHAM, South Carolina Senator, referring to former U.S. Secretary of Defense Donald Rumsfeld's decision—now widely perceived to have been a mistake—to limit the number of troops on the ground in Iraq; Graham is lobbying to deploy more soldiers to Afghanistan

'It was the Wild West out there.'

ROBERT GOTTHEIM, district manager for Manhattan Congressman Jerrold Nadler, on the treacherous airspace above the Hudson River, where a helicopter collided with a small plane on Aug. 8, killing all nine people on both aircraft

'My husband is not Secretary of State. I am.'

HILLARY CLINTON, responding to a question from a Congolese university student during her tour of Africa; according to reports, the student had meant to inquire about President Barack Obama's position on an issue but instead mistakenly referred to former President Bill Clinton

'The pandemic makes no distinctions.'

OSCAR ARIAS, the Nobel Peace Prize-winning President of Costa Rica, announcing on Aug. 11 that he had contracted the H1N1 virus. Arias, who has been mediating talks to resolve the ongoing leadership crisis in Honduras, is expected to recover and will work from home while convalescing

'It's kind of like being a motivational speaker in a hospice.'

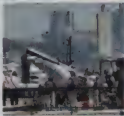
BILL KELLER, executive editor of the New York Times, on discussing the fragile state of the newspaper industry

'I ended up being loyal to a terrible, terrible fault.'

FRANK DIPASCALI, who pleaded guilty on Aug. 11 to 10 charges including fraud and money-laundering while serving as one of Bernie Madoff's top executives. DiPascali, who could be sentenced to as many as 125 years in prison, told a federal judge that he and others knew about Madoff's investment scam as far back as the early 1990s and aided it by helping falsify trading records

'This time, I'm saving it for retirement.'

EDWARD WILLIAMS, after winning a \$900,000 jackpot in the Kansas Super Cash lottery on Aug. 5; last September, the 47-year-old Wichita, Kans., native won \$75,000 after buying a \$10 scratch ticket



BACK & FORTH

Torture

'We are an independent service working to our own laws—nobody else's.'

SIR JOHN SCARLETT, chief of the British intelligence agency MI6, dismissing calls for an inquiry into allegations that the organization tortured terrorism suspects

'If they continue to refuse this request, the British people will draw their own conclusions.'

MOHAMMED SHAFIQ, of the U.K.-based Ramadhan Foundation, a Muslim youth group

Gun Rights

'You brought a sign that said, "The tree of liberty has to be watered with the blood of tyrants," and you're carrying a goddam gun at a presidential event. I think those things make people wonder what you're about.'

CHRIS MATTHEWS, MSNBC host, castigating New Hampshire man William Kostic for taking a licensed, loaded handgun to President Obama's town-hall meeting on health-care reform

'That's not even a relevant question. The question is, Why don't people bear arms these days?'

KOSTIC, saying his firearm should not have caused alarm

LEXICON

Hedonometer n.—A computerized 'sensor,' created at the University of Vermont, that surveys the Web to measure the collective happiness of millions of bloggers

USAGE: "[Researchers] said this hedonometer showed that the U.S. election day last November was the happiest day in four years." —Reuters, July 29, 2009



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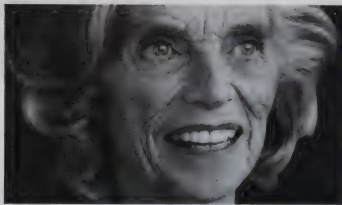


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*Subject to limited availability. Through September 8, 2009, to approved lessees by American Honda Finance Corp. Closed-end lease for 2009 Accord LX Sedan AT (Model #FCP2639E3W). For well-qualified lessees. Not all lessees will qualify. Higher lease rates apply for lessees with lower credit ratings. MSRP \$22,415 (includes destination). Actual net capitalized cost \$18,043.37. Dealer participation may affect actual payment. Taxes, license, title fees, options and insurance extra. Security deposit waived. Total monthly payments \$7,164. Option to purchase at lease end \$12,776.55. Lessee responsible for maintenance, excessive wear/tear and 15¢/mi. over 12,000 miles/year for vehicles with MSRP less than \$30,000; but for vehicles with MSRP at \$30,000 or more, mileage cost is 20¢/mi. over 12,000 miles/year. See dealer for complete details. 2009 Accord, winner of the AIA's Residual Value Award, Mid-Size Car segment. ©2009 American Honda Motor Co., Inc.

Milestones



Eunice Kennedy Shriver

SHE'S THE ONE WE ALL WANTED to be like, said her brother Bobby Kennedy. In another age, she's the one who could have been elected President, said Jack, the brother who was. Eunice Kennedy Shriver, who died Aug. 11 at 88, was never elected to anything. Yet she presided over a social revolution that changed not just

attitudes but also laws, expectations and opportunities.

The middle child of nine, Shriver grew up in the shadow of Rosemary, the "mildly retarded" sister who loved to play but couldn't keep up. When Rosemary was 23, she had a prefrontal

lobotomy; from that point on, she spent most of her life in an institution. Shriver deplored the practice of keeping people with mental disabilities sedentary lest they injure themselves; of keeping their very existence a secret, as her family had hidden Rosemary.

In 1962, Shriver used money from their parents' foundation to fund her vision for empowering the mentally disabled. What began as a summer camp in her Maryland backyard evolved into the Special Olympics, a competition that now attracts 1 million athletes from 160 countries. "She set out to

change the world and to change us," her family said in a statement when she died, "and she did that and more."

—BY NANCY GIBBS



John Hughes

TEEN COMEDY IS NOT A MOVIE genre that ordinarily allows for much eloquence or emotional truth. But back in the 1980s, a few films—*Sixteen Candles*, *The Breakfast Club*, *Pretty in Pink*—perfectly captured the adolescent zeitgeist. They were the work of John Hughes, the intimate chroni-

cler and confidant of that young generation. His death in Manhattan on Aug. 6, of a heart attack at age 59, came as a shock to those whose growing pains he had so cogently monitored—and to anyone else who appreciates the craft of movie writing.

An ordinary Midwestern boy who never forgot his roots—and who stayed married to the cheerleader he wed when he was 20—Hughes wrote humor pieces for *National Lampoon* before transferring his fascination with family life to the big screen. His *Vacation* comedies starred Chevy Chase as a doofus dad leading his brood on disastrous trips. Hughes also launched two other hit franchises: the *Home Alone* trilogy, about an abandoned kid, and the *Beethoven* series of St. Bernard family farces.

Some were clever, some not so. But all showed an acute empathy for their subjects. Especially in his teen films, Hughes seemed so close to his high schoolers that he might have been inside them. Fans saw his movies and asked, "How did he know that?"

Ben Stein, the writer and commentator who played the frustrated teacher in *Ferris Bueller's Day Off* ("Anyone? Anyone?"), called Hughes "the Wordsworth of the suburban-America postwar generation." Others might see Hughes as a sunnier Salinger, or a hipper Norman Rockwell. But today's 30-somethings, who grew up on his movies, don't need

a label to remember Hughes. Their tribute is the hole in the yearning hearts he spoke to—and filled with humor—when they were teens.

—BY RICHARD CORLISS



DIED Born to devout Texas sharecroppers, **Marilyn Clement, 74**, dreamed of working as a missionary before choosing to spread a different kind of gospel.



She marched beside Martin Luther King Jr. in the 1960s and later devoted her life to health-care reform and social activism.

■ After spending most of World War II in a California internment camp, **Robert Takasugi, 78**, became one of the first Japanese Americans to serve as a federal judge, wielding his power to protect Arab communities from discrimination in the hostile aftermath of 9/11.

■ She was mocked for trying to succeed in a male-dominated field, but that didn't stop **Anne Wexler, 79**, from forging a career as one of Washington's



most powerful lobbyists. A mentor to both Bill and Hillary Clinton, she was the first female founder of a major K Street firm.

■ **Budd Schulberg, 95**, penned novels, short stories, biographies and sports columns. But for many, the humanity of his writing is captured in just one line of dialogue from his 1954 Oscar-winning screenplay, *On the Waterfront*: "I coulda been a contender."

SWORN IN **Sonia Sotomayor** became the first Hispanic Justice on the U.S. Supreme Court and just the third woman to ascend to that bench, after the Senate voted 68-31 to approve her nomination to replace Justice David Souter.

RESIGNED Florida Republican **Mel Martinez** is stepping down 16 months before the end of his first term in the U.S. Senate.



WASHINGTON MEMO

Newt's Conversion. The former Speaker finds a new home in the Catholic Church

BY AMY SULLIVAN

VISITORS TO THE BASILICA OF THE NATIONAL Shrine in northeast Washington often do a double take when they see Newt Gingrich and his familiar shock of white hair slip into a pew for the noon Mass on Sundays. The former Speaker of the House is known for many things, but religious zeal is not one of them. In fact, the social conservatives who fueled his Republican revolution in 1994 often complained about Gingrich's lack of interest in issues like abortion or school prayer.

This past spring, however, after several decades as a nominal Southern Baptist, Gingrich converted to Catholicism. With the fervor of a convert, he has embraced the role of defending both his new faith and religious liberty. In his 2006 book *Rediscovering God in America*, Gingrich lambasted what he calls the "secular effort to reject any sense of a spiritual life as mattering." And days before he officially joined the Catholic Communion on March 29, he was among the first to criticize the University of Notre Dame for inviting Barack Obama to speak, Twittering (of course): "It is sad to see notre dame invite president obama to give the commencement address since his policies are so anti catholic."

Gingrich's spiritual awakening has struck more than a few political observers as a bit of positioning for the GOP nomination in 2012. (In the first half of 2009, the former Speaker raked in \$8.1 million through his political committee, far outpacing his party rivals.) While he wouldn't be the first to experience a conversion on the road to Des Moines, there are simpler ways of understanding the new godly Gingrich. American Catholicism has been losing members at a remarkable rate; an April 2009 Pew Forum on Religion and Public Life report found that for every person who joins the Catholic Church,

four others leave. But a steady stream of high-profile political conservatives have bucked this trend by converting in the past decade, including columnist Robert Novak, Kansas Senator Sam Brownback and CNBC host Larry Kudlow. Unlike Evangelicals, for whom conversion is often an emotional, born-again experience, Catholic converts tend to make more of a considered decision to join a theological and intellectual tradition. "Conservatives



The crusader Gingrich has eagerly embraced the role of political Catholic, taking on liberal Catholics and Obama

are especially receptive to the promise of there being some capital-T truth that one can embed one's convictions in," says Damon Linker, a former editor of the Catholic journal *First Things*.

Gingrich describes the appeal of Catholicism for him in just these terms. "When you have 2,000 years of intellectual depth surrounding you," he told me on a recent summer morning, "it's comforting." There's also cachet in conservative political circles to being Catholic. Until their deaths in the past year, Father Richard John Neuhaus and *National Review*

founder William F. Buckley Jr. presided over an intellectual haven for conservatives put off by Evangelicals who rail against experts and elites.

Catholicism offers Gingrich not just a strong religious tradition and community. It also gives him peace at home. His wife Callista is a lifelong Catholic who sings in the basilica's professional choir. After the two married in 2000, Gingrich found himself dragged to church whenever they traveled—"she's adamant that we go to Mass"—and started attending services at the basilica to hear Callista sing.

It's not surprising that a man of Gingrich's ambitions would be drawn to the grandeur of worship at the basilica. Incense hangs in the air as the choir's descant reverberates off the highly polished walls of the Greek-style interior. "Isn't it just beautiful?" Gingrich asks. "That's part of what happened to me." (Her husband, Callista says, is an enthusiastic but limited singer: "He makes a joyful noise.")

Gingrich prepared for his conversion with Monsignor Walter Rossi, the basilica's rector. Because the institution is not a parish church, Gingrich's baptism took place at St. Joseph's on Capitol Hill, where Robert Kennedy attended morning Mass when he served in the Senate. Washington Archbishop Donald Wuerl performed the ceremony, with his predecessor Cardinal Theodore McCarrick in attendance. Afterward, a small group of Catholic luminaries celebrated with a dinner at Café Milano in Georgetown.

He may march to the beat of St. Peter these days, but Newt is still Newt. "I don't think of myself as intensely religious," he says. Asked about Pope Benedict XVI's latest encyclical, *Caritas in Veritate*, the first economic and social statement of his papacy, Gingrich admits he hasn't yet read the whole thing but opines that the parts he has examined are "largely correct." And before Mass one July Sunday, Gingrich took a seat near the aisle and bowed his head. But he wasn't praying. Instead, the famously voracious reader was sneaking in a few pages of a novel until the service began. ■

Catholicism offers Gingrich not just a strong religious tradition and community. It also gives him peace at home

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Before you get **Shingles**, ask about ZOSTAVAX.

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ZOSTAVAX works by helping your immune system protect you from getting shingles. If you do get shingles even though you have been vaccinated, ZOSTAVAX may help prevent the nerve pain that can follow shingles in some people.

ZOSTAVAX may not protect everyone who gets the vaccine. ZOSTAVAX cannot be used to treat shingles once you have it.

What do I need to know about shingles and the virus that causes it?

Shingles is caused by the same virus that causes chickenpox. Once you have had chickenpox, the virus can stay in your nervous system for many years. For reasons that are not fully understood, the virus may become active again and give you shingles. Age and problems with the immune system may increase your chances of getting shingles.

Shingles is a rash that is usually on one side of the body. The rash begins as a cluster of small red spots that often blister. The rash can be painful. Shingles rashes usually last up to 30 days and, for most people, the pain associated with the rash lessens as it heals.

Who should not get ZOSTAVAX?

You should not get ZOSTAVAX if you:

- are allergic to any of its ingredients.
- are allergic to gelatin or neomycin.
- have a weakened immune system (for example, an immune deficiency, leukemia, lymphoma, or HIV/AIDS).
- take high doses of steroids by injection or by mouth.
- are pregnant or plan to get pregnant.

You should not get ZOSTAVAX to prevent chickenpox.

Children should not get ZOSTAVAX.

How is ZOSTAVAX given?

ZOSTAVAX is given as a single dose by injection under the skin.

What should I tell my health care provider before I get ZOSTAVAX?

You should tell your health care provider if you:

- have or have had any medical problems.
- take any medicines, including nonprescription medicines, and dietary supplements.
- have any allergies, including allergies to neomycin or gelatin.
- had an allergic reaction to another vaccine.
- are pregnant or plan to become pregnant.
- are breast-feeding.

Tell your health care provider if you expect to be in close contact (including household contact) with newborn infants, someone who may be pregnant and has not had chickenpox or been vaccinated against chickenpox, or someone who has problems with their immune system.

Your health care provider can tell you what situations you may need to avoid.

What are the possible side effects of ZOSTAVAX?

The most common side effects that people in the clinical studies reported after receiving the vaccine include:

- redness, pain, itching, swelling, warmth, or bruising where the shot was given.
- headache.

The following additional side effects have been reported in general use with ZOSTAVAX:

- allergic reactions, which may be serious and may include difficulty in breathing or swallowing. If you have an allergic reaction, call your doctor right away.

- fever
- rash
- swollen glands near the injection site (that may last a few days to a few weeks)

Tell your health care provider if you have any new or unusual symptoms after you receive ZOSTAVAX.

What are the ingredients of ZOSTAVAX?

Active Ingredient: a weakened form of the varicella-zoster virus.

Inactive Ingredients: sucrose, hydrolyzed porcine gelatin, sodium chloride, monosodium L-glutamate, sodium phosphate dibasic, potassium phosphate monobasic, potassium chloride.

What else should I know about ZOSTAVAX?

Vaccinees and their health care providers are encouraged to call (800) 986-8999 to report any exposure to ZOSTAVAX during pregnancy.

This leaflet summarizes important information about ZOSTAVAX.

If you would like more information, talk to your health care provider or visit the website at www.ZOSTAVAX.com or call 1-800-622-4477.

Rx only

Issued December 2008

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The Pink Recovery

Men are paying a higher price in this recession than women. Perhaps that's fair

A WEEK AGO, PRESIDENT OBAMA TOUTED a newly published report from the Bureau of Labor Statistics (BLS) that showed the country had lost 247,000 jobs in July. It seemed an odd thing to boast about, but you have to consider the context. The economy was losing jobs at three times that clip when Obama took office in January. So it is possible that we are emerging from the most frightening economic downturn since the Depression. We won't be the same country when we do.

One thing that seems bound to change is the relationship between the sexes. Since the recession began in December 2007, the vast majority of the lost jobs have belonged to men. About half are in the heavily male domains of construction and manufacturing. At one point last winter, there were four men being laid off for every woman. The male unemployment rate is 9.8%, the female rate 7.5%. What constitutes "women's work" today? Well, health care, for one; 81% of the workers are female. According to the report Obama cited, 20,000 health-care jobs were gained in July, while 76,000 construction jobs and 52,000 manufacturing positions were lost.

A job is a claim on a certain amount of society's resources and esteem. As men lose that claim, they lose the instruments by which they have traditionally controlled society. A lot of people see that as fitting punishment. There weren't any women among the high-profile malefactors in last fall's financial meltdown. Maleness has become a synonym for insufficient attentiveness to risk. Journalists have lately been having a field day with a study by two Cambridge University

professors, J.M. Coates and J. Herbert, who sampled the testosterone levels of London traders and found they positively correlated with high-profit trading days. Of course, nobody harped on this research back when housing prices were doubling and people were using their home-equity credit lines to buy third cars. But to paraphrase Richard Nixon's comment about Keynesians, we are all feminists now.



Resumes in hand Men, who are out of work at a greater rate than women, line up at a Washington job fair

In *Foreign Policy* this summer, journalist Reihan Salam predicted that the "machismo men's club called finance capitalism" would not survive the present economic ordeal. Provocatively—but correctly—he claimed that this male order rests on foundations considerably older than Ronald Reagan's supply-side revolution. The economic system that FDR shored up was a male one. The New Deal focused on infrastructure at a time when there were not a lot of lady dam builders around. (Salam might also have mentioned the GI Bill, the most effective instrument ever devised for giving a leg up to males in universities and workplaces.) Salam sees Obama's \$787 billion stimulus package as a break with the New Deal. It spends relatively little on infrastructure and relatively much on female-friendly sectors like health care and education. Not to mention aid to state and local governments, where 3 in 5 employees are women.

Although clichés about the "vulnerability" of women in the economy have

been disproved by hard BLS data, we want to believe them. When women lose jobs, the victims are women. When men lose jobs, the victims are, um, women, because they have to make up for that lost male income. The scale of male job losses was evident even when the stimulus bill was passed. That did not stop incoming Congressman Jared Polis, a Colorado Democrat, from warning Obama that "gender imbalance in occupations related to physical infrastructure development means that the direct job creation will benefit mostly men."

Men still make up 53% of the work force, and the percentage of society's work they do is considerably higher, owing to women's shorter hours and more frequent sabbaticals for child-rearing. In prosperous times, women may yearn for more time at home. But economic realities have a way of washing away these yearnings. One such reality is the recession.

Another is that women receive 58% of the bachelor's degrees in this country, along with half the professional degrees.

Should we expect men to cede some control over an economy they have so thoroughly messed up? No. We have no examples of that ever having happened. What we have plenty of examples of—you can see variants of it all over the developing world—is economies in which women do all the arduous work while men sit around smoking and pontificating in coffeehouses and barbershops. For decades, policymakers have been attentive to the flaws of a patriarchal, middle-class, single-earner, nuclear-family-oriented model of family economics—and their attention remains fixed on it. Whether or not that model dominated American society as much as its critics claimed, we are now leaving it behind. Maybe there is a humane model that can replace it. We have not found one yet.

Caldwell is a senior editor at the *Weekly Standard*

There weren't any women among the high-profile malefactors in the financial meltdown. Maleness has become a synonym for insufficient attentiveness to risk

NATION



LEE M. HARRIS

Photographs for TIME by Benjamin Lowy

The casino town bet big on the real estate boom—and lost. But the rapid reset of home, hotel-room and casino prices has encouraged some in America's most optimistic city to go right back to the table

BY JOEL STEIN

I HAVE COME FOR REVENGE. FOR YEARS, I've hyperventilated at restaurant "last-ing menu" checks, forfeited 1,000% markups for bottle service at clubs, neared my credit-card limit for hotel suites, paid usury to strip-club ATMs and pushed far too many chips to the dealer. On this trip, I will get a hotel room for less than the upkeep on the room, eat a meal for near what it costs to serve it and—at least according to a sign in the Cheetahs dressing room berating the strippers for undercharging—get some kind of deal in the VIP room. For the first time ever, it is possible to complete a monetary exchange in Las Vegas and feel bad for the other person.

I, however, feel guiltless about taking advantage when someone is down, and Vegas is way down. This has been the first major recession Vegas has experienced since it became a real city. After two decades as one of the fastest-growing metropolises in the U.S., Las Vegas has seen its population growth flatten. It's got the highest foreclosure rate of any major metro area, and the unemployment rate jumped from 3.8% to 12.3% in just three years. Even if you have a job, it's not a good time to have your wage be dependent on lavish tips. The No. 1 convention city has also had a wave of cancellations from the AIG effect—companies don't want the bad publicity of being seen in Sin City. Just as Las Vegas was the epicenter of the extravagant consumption of the past 20 years, now it's the deepest crater of the recession over the last year. And while I do want to get my money back, I'm a little worried about seeing the dream sucked out of our most American city, the one with the optimism and possibility of New York City in 1900. The one I've, embarrassingly, come to love.

But I'm here because Las Vegas is on sale. The hotels, led by Wynn Resorts boss Steve Wynn, slashed room prices to increase occupancy rates to 82% from a low of 72%. On the right day in July, you could book the type of 750-sq.-ft. room that was \$500 a year ago at the Wynn for \$109 and get a \$50 gift certificate. The high-end restaurants at the MGM have gotten rid of most of their \$400 bottles of wine and replaced them with \$100 ones. This is either a model for the rest of the country or, if the reset fails, the beginning of a long, long slide.

Vegas was in the midst of building a real urban center, trying to turn what was just a break from sanity—fake Eiffel Tower! giant



dancing fountain! a dance in every lap!—into a permanent installation of insanity. If we decide that we don't need a resort town that's roughly the same size as Washington, D.C. (which Las Vegas is)—that we can't continue to devote as many resources to gambling, tasting menus, spas, strip joints and nightclubs as we do to our national government—then we finally revert from being a nation of optimistic materialism to one of Puritan thrift. The one that not even Cotton Mather could get Americans to buy.

THIS PRECARIOUS MOMENT—EARLY ON A Tuesday afternoon—I could not be more unconcerned that my room reservation has been screwed up. In this city hurt hardest by recession, partly because it built too many hotel rooms, I smile at the man behind the desk, sure that I am about to be upgraded to a presidential suite. Then I'm told there are no more rooms of any kind available at The Hotel. When I go to meet a friend by the pool at the Mandalay Bay, it's too crowded to find chairs. All the price-cutting has succeeded: the town is full. This recession business is totally not working for me.

As I turn out of my hotel's full parking lot, veering onto the Strip, I come across something rarely seen in Vegas: frozen construction projects. I pass cranes abandoned at the site of the Echelon, a huge, multibillion-dollar project of four hotels that is now just three buildings of nine floors of concrete and steel beams sitting idly on some of the most expensive real estate in the country. I pass three more abandoned sites—63 empty steel floors of the Fontainebleau, a sad unfinished shell that was supposed to be Caesars Palace's Octavius Tower and two cranes halted on a structure that was supposed to be a St. Regis condo building. I then drive up to where the New Frontier was razed to build a resort modeled on New York City's Plaza Hotel. It's just a dirt wasteland, so ugly that Wynn planted a row of trees so his hotel guests wouldn't stare at it from their windows. I never realized an economic defeat could look so much like a military one.

Just as Americans did with their houses, casino owners borrowed way too much money to build hotels that were way too big. Economists like Yale's Robert Shiller have warned that the next big wave of failures in the U.S. recession will be in commercial real estate—and once again, Las Vegas is headlining. Even worse, the bottom fell out as casino owners were building, so a number of them couldn't replace construction loans with the financing that was once readily available to complete and open hotel-condo-casino projects. Deutsche Bank foreclosed on the \$3.9 billion Cosmo-

Out of Luck

Las Vegas Boulevard is scarred by underfunded, undersold and unfinished hotels, casinos and condos



Trump Towers

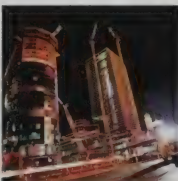
Trump has already built one 64-story, \$1.2 billion tower in Las Vegas. Plans for a second have been postponed indefinitely because of the economy

St. Regis

The luxury-condominium project, an addition to the Venetian Palazzo, is one of several undertakings suspended by the Las Vegas Sands Corp. as it struggled to find financing and avoid bankruptcy

Caesars Palace

Harrah's Entertainment will delay completion of 660 rooms in the Octavius Tower, part of a \$1 billion expansion of Caesars Palace, until demand increases. That won't happen soon



CityCenter

One of the few projects that have not been suspended during the financial crisis, the \$8.4 billion CityCenter still has 9,500 construction workers on-site. Owner MGM Mirage has scaled back its scope, though

Hilton Grand

Two towers with 714 time-share units have been built, and two more are planned but have been delayed indefinitely

The Echelon

Boyd Gaming Corp. suspended construction of the \$4.8 billion, 5,000-room casino hotel last August. The company hopes to resume next year



Fontainebleau

Since its owners declared bankruptcy in June, this 63-floor hotel-condo-casino has been one of the giants that stand empty



Q&A: Steve Wynn Plays for Cash

IN HIS OFFICE, SURROUNDED BY A Picasso, a Basquiat and a newly purchased Toulouse-Lautrec (he got a good price since he was the only bidder), casino mogul Steve Wynn talked about the state of Vegas and why he's the only hotel owner in town with cash in the bank.

Which segment of casino revenue has been hurt the most?

Table games. Our big players are still here, but when they get a half a million or a million dollars ahead, they quit. Whereas before, they say, "We can play an extra three days."

That's the worst situation for you guys—when gamblers actually leave. I never leave when I'm up.

Well, they leave, but they come back a week later. It's an axiom of human behavior that if you want to deflect habitual behavior for three months, you need to apply negative energy of x. If you want to pull back for a year, you

need 10x, because people want to go back to what they like. So the amount of bad news that it takes to stop people coming for three months is much less than the amount of bad news it takes to keep them [from] coming for a year.

Should we call that the Wynn axiom or the Wynn razor?

The Wynn axiom. I was a geometry student. The longer you want to change people's habitual behavior, the more energy it takes. They'll get used to bad news. People during the war in London, between air raids, went out to drink. The sirens went off—they began to duck less.

How are you adjusting your business?
We took \$500,000 a day off the overhead here.

How did you do that?

Small things. Purchasing. Cut back on print advertising.

Don't do that. That's a bad idea. What does it feel like when your stock goes way down?

The whole country got overpriced. Bloated. Swollen. It wasn't predatory lenders. It was greedy, shortsighted homeowners. Everybody was in on it. Private equity and banks shoving money out and issuing paper. Every-

body's stock went up. One time, our stock went from \$80 to \$170 a share in four months. I said, "Bulls _____. I'm going to sell 4% million shares to the public. If they want it that bad, here." I declared a dividend and put the money in the bank in Treasury bills, where I still have it. Things aren't cheap now. They're getting back to proper pricing. It's a painful, dislocating thing. But it's time. **It's a good time to have cash, huh?**
It's a great time.

Are you thinking about making a bid on any of the MGM properties?

I don't know. Deals will be done when you're helpful. It will be done very friendly. Bellagio is right next to Aria. Both of them are going for the same customer. It's a conflict of interest. I mentioned this to Kirk [Kerkorian, MGM's honcho]. You have to reposition the Bellagio. I'll buy it from you. I'm not scratching at their door. I'm not going to do anything unless it's a good deal for us. And Kirk won't do anything unless it's a good deal for him. That's the way we made the Mirage deal. The two of us split a bottle of wine.

Who pays for the wine when you go out with Kirk Kerkorian?

Neither one of us. It's comped. —J.S.

politan Hotel; only it couldn't find a buyer, so the bank is in the odd position of owning a casino—though given the way banks have operated in this decade, that seems like a logical business extension. Meanwhile, Station Casinos, Tropicana and Herbst Gaming have disproved the adage that you can't lose money owning a casino. They borrowed big and went bankrupt.

Others, like MGM Mirage, are in too deep. The few operating cranes in town are scattered among the 9,500 construction workers still crawling over CityCenter, an \$8.4 billion, five-skyscraper, ultra-luxury project that is the largest privately financed development ever in the U.S. Although the company has managed to keep the project going through a desperate battle for financing deals with Dubai World, a number of people who signed up for condominiums are looking to bail. So MGM Mirage, which owns the most properties on Las Vegas Boulevard—the Strip—ducked and weaved around bankruptcy for six months earlier this year by pumping \$140 million, almost a quarter of its monthly revenues, into the project. MGM sold off Treasure Island at a bargain price: Phil Ruffin, the buyer, paid the equivalent of \$225,000 for each room on the property; CityCenter's rooms cost about \$1.5 million each to build. Even if CityCenter is a big success and people want urban density as a part of their Vegas experience, experts like Bill Lerner, a gaming analyst at Union Gaming Group, figure it will be five to 10 years before Vegas needs more than the 150,000 or so hotel rooms it will have when CityCenter's 6,000 and the Cosmopolitan's 800 are completed. And if CityCenter tanks, Vegas will be holding some very bad cards.

The real estate mistakes on the Strip were made in miniature by thousands of Vegas homeowners. To see the real devastation, I have to leave the line of casinos along the Strip and drive to where people in Las Vegas actually live. I head out to spend the day with real estate agent Brooke Boemio, a bouncy, sweet, recently remarried 31-year-old mom whom I met years ago when I was on another assignment. Boemio is doing great during this recession. In fact, she's never had a job that paid as well: she made more than \$100,000 last year. Even better, she's willing to show me how messed up the real estate scene is.

Boemio specializes in short selling, in a particularly Vegas way. Basically, she finds clients who owe more on their house than the house is worth (and that's about 60% of homeowners in Las Vegas) and sells them a new house similar to the one they've been living in at half the price they paid for their old house. Then she tells them to stop paying the mortgage on



THE NUMBERS

72.9

Nevada's foreclosure rate (per 1,000 homes) in 2008. The state's figure was the highest in the nation.

12.3%

Current unemployment rate in Las Vegas, up from 3.8% in 2006

\$22

Price per night for a midweek stay at Circus Circus Hotel and Casino. The five-star Trump can be had for \$128

72%

Average hotel-occupancy rate at its lowest point in the past two years. Slashed rates have since boosted occupancy to a more robust 82%

Fear and loathing Broker Boemio, above, needs protection to visit some looted foreclosed properties she's selling. Sands boss Adelson, below, lost nearly \$40 billion, but he can't wait to borrow a billion and build again





their old place until the bank becomes so fed up that it's willing to let the owner sell the house at a huge loss rather than dragging everyone through foreclosure. Since that takes about nine months, many of the owners even rent out their old house in the interim, pocketing a profit.

Tons of people were doing this, but there were consequences. Renters were being evicted, through no fault of theirs, with a couple of days' notice when the house finally went on the market. People are now paying a premium to live in apartment buildings, which in Vegas are almost always owned by a corporation. Sure, short selling damages the sellers' credit rating, but they just bought a new house, so they don't care.

It's an entire city of John Dillingers, feeling guiltless for stealing from the banks. Boemio is well aware that short selling isn't ethical and is exacerbating Vegas' economic problems. People, she believes, should make their payments, accept their paper losses and ride out the crash. "Guess what, a _____s of Las Vegas. That's what gambling is about. That's what investing is about," she says. "It's greedy. But we're all doing it. Because why not?" It's very hard,

she says, to suffer as the one honest person in a town of successful con artists.

In fact, last year Boemio and her new husband did it themselves, paying \$279,000 for a house nicer than their old one, which cost nearly twice as much. They stopped making payments on the old one as soon as they signed their new mortgage. "I make people happy all day through foreclosures. Now I want to be happy too," she says. The new house, like so many she deals with, was trashed by the previous owners, who were angry at being foreclosed on. The doorknobs, hinges and copper wiring were stolen, as were the appliances and carpet. The owners even left their dogs behind. (Abandoned pets have become a huge problem for local shelters.) "You couldn't walk into that house without holding your nose to keep you from vomiting," Boemio says. She and her husband had to spend \$7,000 on appliances and carpet to qualify for a Fannie Mae loan.

She's driving this morning to try to sell an apartment, with her husband along as protection. He's been accompanying her into potentially shady situations ever since she entered a for-sale house with a key only to be greeted by a squatter with a gun who fired a warning shot.

The apartment she's trying to sell today is in Newport Lofts, a doorman building with a pool, gym and clubhouse on the roof, which, the custodian tells us, haven't been used by anyone in months. Newport Lofts is one of a cluster of several luxury condos that were supposed to be part of a revitalization of the downtown area. Apartments in Newport Lofts—Boemio's client, an out-of-town investor, paid \$600,000 for one—are now listed for as little as \$179,000. And this particular apartment isn't exactly in great shape. A squatter slipped past the doorman and, even more impressively, got a locksmith in to switch the lock and give her keys.

The squatter left behind no bed, but she did leave stained bath mats, towels, flip-flops, Chinese-takeout remnants, Sunkist soda cans, prescription medicine, old mail and some used airline tickets to Miami. Boemio casually walks around all of it, occasionally laughing. The buyer's agent—a woman in a Gucci scarf and sunglasses—is a little more freaked out, trying to figure out how much this mess will cost to clean up. Which is strange, since she's offering \$250,000 on behalf of her overseas client—\$70,000 more than the asking price. There are no other buyers. Boemio goes over the offer three times with the Gucci lady to make sure she understands exactly what is going on. Gucci lady, she figures out, is just trying to score an extra \$2,100 in commission and is screwing over her client for \$70,000.

'There's no way this world will change. There's no way people are going to stop doing things they want to do.'

—SHELDON ADELSON, CHAIRMAN, LAS VEGAS SANDS CORP.

It is lawless right now in the Wild West. There's even a real estate agent (and the figures and details are slightly changed here to protect him) whose out-of-town investor demanded that the agent find a way to cover some of the losses he was taking on the \$60,000 down payment he'd sunk into a house. So the agent created a separate contract, never shown to the bank, that said the new buyer had to purchase a \$60,000 Persian carpet from the seller—a check his mortgage company, which was sucking up hundreds of thousands of dollars in losses on the short sale, would never see. When the buyer—who was happy just to get a deal on the house—asked if the Persian carpet was really worth \$60,000, the agent looked at him as if he were insane. "I bought it at Wal-Mart," the agent told him. Now all the friends of the investor who got his \$60,000 back are asking the agent to pull the same scam for them. And he's doing it.

Leaving the condo with the sale apparently finished, Boemio drives into a huge subdivision in western Las Vegas, one of the hardest-hit areas. The houses look nice enough, but every third one has a FOR SALE sign, and there are almost no cars in any of the driveways. She picks a house at random, and we go to the back. She figures the odds are high that a squatter has left a door or window open. Indeed, the bathroom window has already been pried open, and the screen is bent, so I bend it a little more and squeeze myself through onto the toilet seat and then open the porch doors and let Boemio and her husband in. There's a Rolodex's worth of real-estate-agent business cards on the kitchen counter, but this home has been sacked and stripped: black mold creeps across the ceiling and walls near the pipes where the washing machine had been; paint is angrily splattered on the walls, including an artistic flourish of purple handprints. They're almost all like this, Boemio says. The police can't stop it because people have the right to trash their home while they still own it. This is what an empire looks like when it falls.

The recession has hit everything from



Party on By adjusting prices quickly, hotels and clubs like Tao have managed to boost occupancy and keep the dance floors crowded

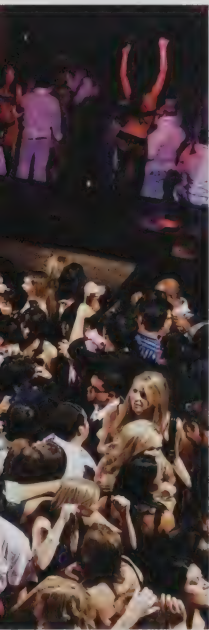
philanthropy to stripping to the solvency of Nevada. Because Nevada has no income tax and relies almost entirely on taxing casino owners, the state is nearly bust. Governor Jim Gibbons, a Republican, whom only 11% of voters say they would re-elect, tried to turn down federal stimulus money, was accused of cheating on his wife and lost control of the legislature, having his vetoes overridden more times than any other Nevada governor. Budget cuts have closed the only hospital cancer wing for uninsured patients. "We're on the bottom of every bad list," says Steven Horsford, majority leader of the Nevada senate and de facto head of Nevada's government,

who tried and failed to enact a corporate income tax. The state is so desperate, the legislature even considered a state lottery. Which is about as good a revenue plan in Nevada as opening a literary salon.

THE DEVASTATION HAS SPREAD INTO EVERY aspect of Vegas. The city has lost the Las Vegas Art Museum, its oldest stone. Strippers, who are facing less extravagant tippers and floods of newly unemployed women from other cities flying in to audition, are shelling out more than \$100 for online classes at a site called StripandGrowRich.com to hone their sales tactics. There are lifeless shopping malls everywhere; Neonopolis,

the \$100 million, 250,000-sq.-ft. downtown mall, has almost no open stores left.

If it's this bad, why, then, does every Vegasite I meet still talk as if he or she is about to go on a winning streak? The people in Vegas aren't nearly as depressed as those in far less devastated cities. "This is a town built on hopes and dreams, and people don't give up hopes and dreams when there's a recession," says Neal Smatresk, executive vice president and provost at the University of Nevada at Las Vegas. Anyone who has ever stood at a craps table knows that losers always believe they're one roll of the dice from starting a winning streak.



That is true even of Sheldon Adelson, who has lost more during this recession than anyone else on the planet. The 76-year-old chairman of the Las Vegas Sands Corp., which owns the Venetian hotel, the Sands Expo and Convention Center and the Venetian Macao, was in 2007 and '08 the third richest person in the world, with—by his estimate—a net worth of \$40 billion. By February of this year, he said he had lost \$36.5 billion—more than the GDP of half of the countries in the world. In the years before that slide, banks were begging him to take their money, given his massive success in building the first Vegas-style hotel and casino

in Macao, China, in 2004. Adelson didn't hesitate, taking all he could get and building an entire mini-Vegas in Macao called the Cotai Strip, along with huge casinos in Singapore; he also doubled his Vegas space by adding the Palazzo to his Venetian hotel. In a short time, he has accumulated a debt-to-earnings ratio of 6.8 to 1 in the U.S. Then the loans stopped coming, and his stock price sank from \$144 to \$12.42 in March. (It now hovers at about \$12.) That's his crane parked between the Venetian and the Palazzo resort, atop the St. Regis condominium, on which work has been halted for the foreseeable future.

Adelson is a self-made, risk-loving, Boston-born entrepreneur who, after creating the hugely successful COMDEX computer convention in 1979, helped turn Vegas into the top convention destination. He's a feisty ultraconservative who has managed, seemingly on purpose, to make enemies of all the other casino owners, a pretty friendly group. When his nemesis Wynn invited him to dinner recently to bury the hatchet, Wynn says Adelson refused, recalling that Wynn had once referred to him as Mr. Magoo. Sitting for an interview at a giant conference table, Adelson stops the conversation every time his videographer—who is either documenting Adelson's entire life or preparing a libel case against me—needs to change tapes and once when he feels the angle is wrong.

But other than making sure his good side faces the camera, Adelson doesn't seem worried about much besides his exercise-and-diet plan to reduce the gut he's added since he began to need a walker to get around. "If you believe what you read in the newspaper about us, we have one foot in the pail of bankruptcy and the other foot on a banana peel, and there's a high wind. It's all wrong," he says. Adelson, always a self-believer, has reinvested more than \$1 billion in his company. But he has also fired his longtime right-hand man, been sued by shareholders and shed more than 700 Las Vegas employees since November.

He doesn't seem too crushed by his losses. "A billion dollars doesn't buy what it used to. So it's not as tragic as one would assume," he says. "I say to my wife that the worst tragedy I could have in business deserves a two-hour cry, and I scale down from there. I didn't cry one moment." When his wife asked him to cut back on expenses, he dismissed the suggestion, telling her he still had more money than they could ever spend. Eventually he capitulated: whenever possible, he uses his small private jet instead of his big one.

Adelson may have changed planes, but



Breaking and Entering

To watch Joel Stein wander in a foreclosed Las Vegas house, go to time.com/vegasrecession

he's not changing his strategy of using high-end dining, giant suites and plush convention spaces to attract customers. He does not believe that America is going to fundamentally change its values from extravagance to thrift. "There's no way this world will change. There's no way people are going to stop doing things they want to do ... People aren't going to say, 'I'm going to see Old Faithful or the redwoods instead of taking a trip to Vegas. Or I'll go to Cape Cod with a book.' I don't think they're going to do that. I used to fish. I don't want to go back," he says. "That's the nature of people. It's like the old song, How you going to keep them down on the farm once they've been to gay Paris?" The last part, Adelson, whose bank account has been pretty much wiped out by the recession, sings. And rather well.

But behind all that confidence, I figure, must be some hard lessons learned. This is the man who has been taught the main moral of this recession better than anyone else: you can't borrow more than you can afford to repay. His debt is going to be hard to dig out of even if things get better soon. So when I ask how long it will be before he'd even consider getting a loan for more expansion, I expect him to apologize for his recklessness and pledge to become a saver. Instead, he sits up, widens his eyes and smiles. "As soon as someone wants to lend it," he says. "I'll be first in line."

So Vegas has made its bet. This recession, it clearly believes, is just another business cycle. It will end, sooner rather than later, and the world will go right back to gambling on slot machines and real estate and tasting menus and double-digit corporate earnings. In fact, Wynn bet me \$100, an amount I had to spend several minutes explaining to him, that the U.S.'s GDP growth will be positive by April 2011. In the meantime, he and the other people who run Vegas believe the deck will get reshuffled and new players will sit down at the table as casino owners, but the game itself won't change. Americans, they think, will continue to get economically better off. It sounds a little hollow, especially looking at this city in the desert that creates nothing, the world's greatest ghost town in waiting. But a lot of people have gone broke betting against the people who run Las Vegas. Besides, the Las Vegas people have no choice but to bet things will go back. They're all in. ■

The Political Scientist

Steven Chu, the Nobel-winning Secretary of Energy, says people caused global warming. He also says people, with science's help, can solve it

BY MICHAEL GRUNWALD/BEIJING

"WHAT THE U.S. AND CHINA DO OVER the next decade," declared Energy Secretary Steven Chu, the Nobel Prize-winning physicist who is leading President Obama's push for a clean-energy economy, "will determine the fate of the world."

Chu had gone to Beijing's Tsinghua University, the "MIT of China," to make his half-apocalyptic, half-optimistic pitch about climate change. In his nerdy-professor style and referring to "Milankovitch cycles" and the "albedo effect" as well as melting glaciers and rising seas, Chu methodically explained that the science is clear, that we're boiling the planet—but also that science can save us, that we can innovate our way to sustain-

a more credible messenger. It's not just that Chu is a Chinese American whose parents both graduated from Tsinghua before attending the real MIT or that he's the most qualified leader ever at the Department of Energy (DOE)—which is a bit like being the most likable character ever on *NYC Prep*. It's also that Chu is the kind of scientific savant the Chinese revere, a techno-geek who scored a Nobel for developing methods of cooling atoms to a few millionths of a degree above absolute zero, who shelved his quantum-physics career to try to save the planet but on weekends still tries to cure cancer with lasers. "In the U.S., rock stars and sports stars are the glamour people. In China, it's scholars," Chu told me during his trip to Beijing. "Here, Nobel laureates are the equivalent of Britney Spears."

That's one reason Chu's message doesn't resonate all that well with Americans. They ranked global warming last in a national survey of 20 top priorities; in a global poll, only 44% of them wanted action to be taken on the issue, vs. 94% of Chinese. Most Republican leaders flatly reject prevailing climate science, while many Democrats from coal, oil and farm states are equally protective of the fossil-fuel status quo. This is why the American Clean Energy and Security Act—a far-reaching Democratic bill that would cap carbon emissions—has been marketed to a confused public on the basis of issues that poll far better: gas prices, foreign oil and green jobs. It narrowly passed the House, but it's in trouble in the Senate, and the President, while supportive, is now preoccupied with health care.

Anyway, Americans usually don't pay much attention to Energy Secretaries, who tend to be political loyalists with little energy expertise; President Ronald Reagan once appointed a dentist to the job. Since its founding during the last energy crisis, in 1977, the DOE has become a bloated backwater of the military-industrial complex, primarily

responsible for safeguarding nuclear weapons and cleaning up nuclear waste and generally ignored between security breaches at its nuclear labs. But now there's a new energy crisis, and the appointment of a global-warming Paul Revere who's also a green-tech Albert Einstein has signaled Obama's desire to put the E back in DOE, to have a first-tier brain reinvent a second-tier agency, to keep his Inaugural Address pledge to "restore science to its rightful place." With Obama publicly committed to an economic transformation designed to slash U.S. carbon emissions 80% by 2050, Chu will be America's first Clean Energy Secretary—a job that's part green evangelism, part venture capitalism and part politics.

He's perfect for parts one and two. The fate of the world, in Chu's calculation, hinges on part three.

Mr. Outside

THE BUSH ADMINISTRATION GENERALLY followed a "Drill, baby, drill" approach to energy and a "What, me worry?" approach to climate change. Obama promised the opposite on both counts.

For the Obama Administration, change begins with the low-hanging fruit of energy efficiency, pursued through mandates and incentives to get vehicles to use less fuel and get appliances, buildings and factories to use less power. It's also pushing investment in wind, solar and other renewables, along with a smarter grid to exploit them. At the same time, Obama wants massive increases in federal energy research and development, plus a cap-and-trade regime that would accelerate private-sector advances by putting a price on carbon. The overall goal is to reduce emissions as well as U.S. dependence on foreign petro-thugs and a pesky vulnerability to

'We're trying to communicate that climate change is very, very serious, but hey, by the way, this is an incredible economic opportunity.'

—STEVEN CHU, SECRETARY OF ENERGY

ability. He acknowledged that the developed nations that made the mess can't tell the developing world not to develop, but he also warned that China is on track to emit more carbon in the next three decades than the U.S. has emitted in its history; that business as usual would intensify floods, droughts and heat waves in both countries; that greenhouse gases respect no borders. This earth, he concluded, is the only one we've got; it would be illogical and immoral to fry it. "Science has unambiguously shown that we're altering the destiny of our planet," he said. "Is this the legacy we want to leave our children and grandchildren?"

It was a tough message to deliver to the Chinese—basically, "Do as we say, not as we did"—but it's hard to imagine

Outstanding in his field Chu at the Hanford nuclear-waste site in Richland, Wash.



Photograph for TIME by Jose Mandojana

volatile gas prices. To Republican critics, it's a radical scheme to destroy jobs and raid wallets, cooked up by elitists like Chu, who was once quoted calling U.S. gas prices too low. But Obama's message is that saving the planet makes economic sense. "We're trying to communicate that climate change is very, very serious, but hey, by the way, this is an incredible economic opportunity," Chu said.

Chu is becoming the public face of this agenda, sounding the alarm about emissions while preaching the good news of a new Industrial Revolution—to Americans and Chinese, through Facebook and PowerPoint. If White House energy czar Carol Browner is the little-known Ms. Inside, Chu is Mr. Outside, mixing plain English with arcane data to make the case for twisty lightbulbs, white roofs, geothermal heat pumps, electric cars, advanced research and carbon-pricing. He sounds like Al Gore but with unimpeachable scientific credentials, a nonpartisan aura and a rumpled charm. At 61, he still radiates boyish impatience as well as boyish enthusiasm, with a megawatt smile that appears without warning.

Chu is also becoming the chief financier for the U.S. clean-energy sector, retooling a sclerotic department to shell out about \$39 billion worth of short-term stimulus projects—nearly 150% of its normal annual budget—while reorienting its long-term research and development toward artificial photosynthesis, advanced batteries and other technologies he envisions as low-emissions "game changers." Chu plays up his geeky image—he gave Jon Stewart a NERDS OF AMERICA SOCIETY T shirt on-air—but he's no ivory-tower ingenue. "Energy," he says, "is all about money." He cut his teeth in the entrepreneurial culture of Bell Labs and spent the rest of his career around Silicon Valley; he's served on the boards of a battery company, a semiconductor firm and two biotech start-ups. In his last job, he shook up the bureaucracy of DOE's Lawrence Berkeley National Laboratory (LBNL) to tackle real-world energy problems, while becoming a leading expert on energy innovation. "He's brilliant, and he understands the



The Chu brothers Steven (1), Morgan (2) and Gilbert (3) in 1951, top, when Steven was about 3, and at the Nobel Prize ceremony in Stockholm in 1997, above



full breadth of the energy portfolio," says Ralph Cavanagh, co-director of the energy program of the Natural Resources Defense Council, an environmental group. "There's no precedent for that."

But Obama's ambitious plans will ultimately depend on politics, and most scientists are about as adept at Beltway Kabuki as most politicians are at freezing atoms. Chu has already created a miniflap by telling reporters it wasn't his job to badger OPEC about oil prices, and he has struggled to explain why he once called coal a "nightmare." Several of his scientific initiatives have stalled on Capitol Hill, victims of lackluster salesmanship. He got his unofficial welcome to politics in February, during a tour of the University of Pennsylvania's operations facility, when a snippy Vice President Joe Biden responded to Chu's seemingly innocuous comments about energy

efficiency by publicly chastising him for straying off message. "He won a Nobel Prize," Biden told the crowd. "I got elected seven times."

Chu does have an inconvenient habit of speaking his mind. At Tsinghua, he told audience members they ought to limit their driving to the weekends, a nonstarter in U.S. politics if ever there was one. In our interview, he suggested that Americans should get over their need for gas-guzzling speed ("Believe me, 0 to 60 [m.p.h.] in 8.5 sec. is fine") and meat-heavy diets ("We really don't need 12-oz. steaks every day") before he realized he was making energy transformation sound like a bumper—and abruptly changed the subject. "I don't want to deliver too many messages," Chu said, more to himself than to me. "I need to focus on 'Let's not let this incredible opportunity slip away.'"

The World According to Chu

Inside the mind of the U.S. Energy Secretary

ON CONSERVATION

Energy efficiency is by far the easiest way to reduce emissions. The mandated standards for U.S. refrigerators save more energy than all existing renewables produce.

ON LEADERSHIP

U.S. energy policy should be like hockey star Wayne Gretzky: not just chasing the puck where it is now but heading where the puck will eventually end up.



STEVEN CHU
Tennis Band Dance
Sailboard Orchestra Arch.
Skiing Physics Club Judo
Marcel volleyball NSF at
McDonnell College enjoys
reading and football. "Scientifically minded" "Stave."

Underachiever At Garden City High, Chu became fascinated with calculus and physics. He made the tennis team, left, after teaching himself the sport



Partners Chu married his wife Jean, an Oxford-trained physicist, in 1997

A Real-World Scientist

WHEN CHU WAS A SECOND-GRADER IN A Long Island, New York, suburb, his father told him, Don't get married until after you get your Ph.D. It was that kind of family; even an aunt whose feet were bound when she was a girl in China became a chemistry professor in the U.S. "It was always assumed that all of us would be science professors," Chu recalled. He has two brothers and four cousins in the U.S., all with doctorates. When I asked how many advanced degrees they have, he asked if a law degree counts as advanced.

As a boy, he diverted his lunch money into parts for homemade rockets. But he says he was a mere A-minus student, an "academic black sheep"—at least compared with older brother Gilbert, a straight-A valedictorian who studied physics at Princeton and is now a biochemistry professor at Stanford.

After quitting school for a while in ninth grade—"I was tired of competing with Gilbert"—he didn't make the Ivy League, so he settled for the University of Rochester. His father once told him he'd never succeed in physics. "What he meant was, compared to Gilbert," recalls younger brother Morgan, a high school dropout who still earned four advanced degrees by the time he was 25 and is now a renowned litigator.

It's easy to see how Chu ended up as a workaholic. At times, he hinted at an emotional price, mentioning offhandedly that a son from a previous marriage quit school and was "trying to find himself." But Chu found his niche in the lab, building state-of-the-art lasers from spare parts to tinker with quarks and "high-Z hydrogen-like ions," preferring the rigor of experiments that either worked or didn't to abstract theoretical physics. At Bell Labs, he spent phone-monopoly money playing with electron spectrometers, gamma rays, polymers and other gee-whiz stuff few of us can understand; he once accidentally discovered an important pulse-propagation effect. But even his most obscure technical work had practical applications; his Nobel-winning breakthrough—supercooling atoms into "optical molasses"—inspired improvements in GPS data and oil exploration. "He's a real-world scientist," says physicist Carl Wieman, who won a separate Nobel using techniques that Chu pioneered. "He's very, very intense, and he's very, very good at solving problems."

After winning his Nobel while at Stanford in 1997, Chu gradually concluded that global warming was the biggest problem facing mankind and decided to change fields to help solve it. He admired the Nobel laureates whose discoveries sparked the agricultural Green Revolution that averted a global hunger crisis, and he couldn't justify fiddling with molecules when a new Green Revolution was needed to avert a climate crisis. LBNL scientist Art Rosenfeld, Chu's mentor on energy issues, can relate: he was once a star particle physicist, the last student of Enrico Fermi's, but during the crisis of the 1970s, he reinvented himself as an energy-efficiency pioneer—and ended up

As a boy, he diverted his lunch money into parts for homemade rockets. But he says he was a mere A-minus student, an 'academic black sheep.'

developing much of the technology behind green buildings and those curlicued compact fluorescent lightbulbs. "The stakes are so high and the opportunities so vast," Rosenfeld explains.

Chu took over LBNL in 2004 and immediately refocused the lab on researching commercially viable solutions to big energy problems. He set up two bioenergy institutes—one funded by a controversial \$500 million grant he secured from British Petroleum—and spearheaded a major project to investigate solar energy. "Steve is a visionary, and he really galvanized the lab with his vision," says Paul Alivisatos, who was Chu's deputy there. But some scientists bristled at Chu's demand for dramatic scientific breakthroughs—brand-new ways to store energy, sequester carbon or fuel cars—as opposed to incremental engineering improvements. "Chu likes flashy, sexy technological fixes that attract a lot of attention. He gets bored when they aren't nano-thin or bio-thin," says University of Texas engineering professor Tad Patzek, who left the Berkeley Lab after clashing with him.

Environmentalists are generally ecstatic about Chu, but at a time when coal plants and heavily subsidized corn ethanol are creating huge environmental problems, some question his enthusiasm for "clean coal" and "third-generation biofuels," which do not yet exist, as well as his support for new nuclear power, which has become wildly expensive. They recall President George W. Bush talking up future technological miracles as an alternative to present-day action, and they want Chu to focus on proven technologies that can help boost efficiency and conservation to reduce energy demand now, plus on renewables to create zero-emissions supply.



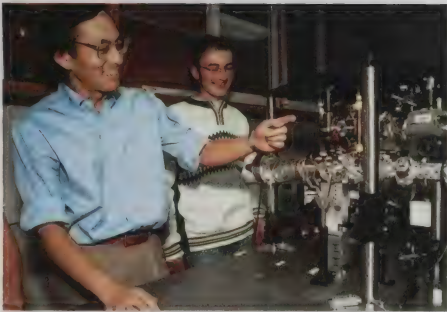
ON CUTTING CARBON

Retrofitting buildings, weatherizing homes and installing white roofs lower energy consumption. Making all U.S. roofs and pavements light-colored would cut emissions as much as banning cars for 11 years.



ON NEW TECHNOLOGIES

Existing technologies can reduce the U.S.'s reliance on fossil fuels, but slashing its emissions 80% by 2050 will require "game-changing" innovations like advanced batteries and synthetic fuels.



Quantum physicist Chu, left, demonstrates the effects of laser light on the behavior of atoms for students at Stanford in October 1997 on the day he won the Nobel Prize

In fact, Chu is already an efficiency nut. His California house was so well insulated, it barely needed air-conditioning, and he's now weatherizing his D.C. home. He's pushing 24 new appliance standards that languished under Bush; at Tsinghua, he explained that existing efficiency rules for U.S. refrigerators alone save more energy than the controversial Three Gorges Dam in China's Hubei province will produce. He's especially obsessed with promoting white roofs and light-colored pavement, constantly citing Rosenfeld's calculation that having them throughout the U.S. would save as much carbon as taking every car off the roads for 11 years.

But Chu is thinking far ahead, and he doesn't see existing technologies producing an 80% cut in emissions. At a recent appearance with Obama, he said the U.S. needs to be like Wayne Gretzky: not just chasing the puck but positioning itself where the puck is going to end up. "Very cool metaphor," the President said.

Does Science Matter?

IN CHINA, I WATCHED CHU TOUR THE headquarters of a company called ENN—the name is a hybrid of *energy* and *innovation*—that was founded as a tiny gas supplier in 1989 by a cabdriver with \$200 in his pocket and has expanded into a clean-energy conglomerate with more than 24,000 employees. Chu peppered his hosts with technical questions as he checked out a sleek factory churning out super-efficient solar panels, a greenhouse where genetically engineered algae were excreting fuel, a prototype for a coal-

gasification plant in Inner Mongolia and a research lab with 300 scientists. It felt like an only-in-America business story, except we were in Langfang, just outside Beijing.

My notebook quickly filled up with scribbles like "nanostructure?" and "Chu recommends polymer" and "don't think Hazel O'Leary got this briefing." Chu's only simple question—aside from "Will this explode?"—was "What percentage of your profit goes to science?" About 15% to 25%, the CEO explained. "That's very good," Chu said with a sigh. The entire visit reminded Chu of the futuristic spirit he loved at Bell Labs. "This was a power company, but it had the flavor of a high-tech company," he told me later. "They're looking at the long view." In short, they're Wayne Gretzky—and Chu is obviously worried that we're not, that we've lost our ability to focus on long-term problems.

The clear message Chu took home from China was that its leaders are dead serious about climate change and clean energy. They won't accept an emissions

There's still a broad perception in Washington that climate change will require sacrifices that Americans won't tolerate

cap before we do—understandably, since our per capita emissions are still four times higher—but they're preparing for a carbon-constrained economy. They already have cars that are more fuel-efficient than ours, and they're developing more-advanced transmission lines. They're still building a new coal-fired plant almost every week, but two years ago, they were building two of them every week. They're making a huge push into wind and solar and should be the world's largest producer of renewables by 2010. "Every Chinese leader I met was absolutely determined to do something about their carbon emissions," Chu said. "Some U.S. policymakers still don't think this is a problem."

In fact, GOP leaders have said that global warming is a hoax, that fears about carbon are "almost comical," that the earth is actually cooling. When I asked Chu about the earth-is-cooling argument, he rolled his eyes and whipped out a chart showing that the 10 hottest years on record have all been in the past 12 years—and that 1998 was the hottest. He mocked the skeptics who focus on that post-1998 blip while ignoring a century-long trend of rising temperatures: "See? It's gone down! The earth must be cooling!" But then he got serious, almost plaintive: "You know, it's totally irresponsible. You're not supposed to make up the facts."

Welcome to Washington, where a Nobel Prize winner's opinion is just another opinion, where facts are malleable and sometimes irrelevant. It's tough to be Mr. Outside in a town where policy happens on the inside. Congress is blocking Chu's plan to create eight "Bell lablets" to investigate his game changers, along with his efforts to scuttle hydrogen-car research he considers futile. He's trying to make DOE's bureaucracy more nimble, but it still pushed less than 1% of its stimulus funds out the door in five months. And while Chu ends speeches with Martin Luther King Jr.'s quote about "the fierce urgency of now"—one of Obama's favorites—the clean-energy bill is on hold until health care is done. There's still a broad perception in Washington that dealing with climate change will require sacrifices that Americans won't tolerate.

The Chinese don't seem to worry about that. At one point, Chu acknowledged that democracy makes change a lot tougher, although he hastened to add that he's a big fan of democracy. "We just have to do a better job communicating the facts so the electorate can educate themselves," he said. Soon he sounded like he was talking to himself again: "Let's be positive. The facts really do matter to the American people."



Extra Money

To read Justin Fox's daily take on business and the economy, go to time.com/curiouscapitalist



Madoff's Other Legacy

He helped create high-volume, high-speed trading. Now it's millisecond-fast—and scary

ONE DAY IN FALL 2007, I FOUND MYSELF on the 19th floor of the Manhattan skyscraper known as the Lipstick Building, listening to Bernie Madoff explain to me how he made money. This was in preparation for a discussion called the Future of the Stock Market that I was moderating; Madoff was a participant. (It's a big hit on YouTube—just Google “Madoff video.”) Sadly, he didn't happen to mention the now infamous Ponzi scheme he was running two floors below us. At issue was his legit business, a brokerage that had long been one of the biggest marketmakers (the firms responsible for keeping trading going) on the Nasdaq exchange.

“You've heard of payment for order flow, right?” Madoff asked. “Huh?” I responded. Madoff explained that Bernard L. Madoff Investment Securities had pioneered the practice of paying customers to trade through it, thereby siphoning business away from the New York Stock Exchange (NYSE). The firm was able to use its sophisticated computer systems and trading algorithms to earn enough off the spreads between what it bought and sold stocks for to more than offset the amount it paid customers.

This was my first glimpse into the strange modern methods of making money from making markets in stocks. Madoff's version of it was actually outdated by the time he explained it to me. With the government-ordered advent of decimalization in 2000 (stocks were previously traded in eighths of a dollar) and the rise of nimble competitors, the big spreads that Madoff Securities once feasted on were already a thing of the past.

The cartel is dead and has been replaced by a brutally competitive environment in which trading costs are far lower than they used to be

Since 2007, the evolution has accelerated. Less than a third of the trading in NYSE-listed stocks is now done through the NYSE—and only a tiny fraction of that by the floor traders, who now function mainly as a colorful backdrop for CNBC broadcasts. Virtually all stock trading is electronic, and somewhere from 45% to 70% of trading volume is done by high-frequency traders who make their money by the millisecond.



In the past few weeks, all this has become controversial. Flash orders—a feature offered by some exchanges that allows high-volume traders the advantage of posting orders for up to half a second and then removing them—have drawn the ire of the authorities. Related revelations about the high-speed, almost fully computerized nature of modern stock markets have occasioned no small amount of fear and loathing.

The fear may be justified, the loathing less so. Stock trading in the U.S. was long dominated by a cartel (the NYSE) that charged exorbitant fees and stifled competition. That cozy arrangement began to fall apart in the early 1970s with the birth of the Nasdaq electronic exchange for small stocks. The rapid growth of Nasdaq companies like Intel and Microsoft, coupled with Madoff's poaching of orders

from the NYSE in the 1980s and '90s, brought more direct competition. Now things have broken wide open. Nasdaq and the NYSE are still the biggest players, but they must do daily battle with upstarts such as BATS and Direct Edge. Both exchanges have also gone from member cooperatives to for-profit companies—the NYSE by merging with electronic competitor Archipelago.

The cartel is dead and has been replaced by a brutally competitive environment in which the price of trading has plunged. It's a market in which exchanges do constant battle over trading volume. The biggest volume generators at the moment are high-frequency trading firms you've never heard of—GETCO, founded a whopping 10 years ago, is the granddaddy—that try to get ahead of millisecond-by-millisecond price movements and take advantage of rebates paid by exchanges to those who create liquidity (that is, offer to buy or sell stock at a certain price and assume the market risk). Not surprisingly, the exchanges cater to these firms—with flash orders and “co-location” arrangements that put

traders' computers right next to their own, giving the firms a profitable millisecond-or-so edge in trade execution.

In a competitive market, it's a little hard to say why the exchanges *shouldn't* engage in all this. But there is one nagging concern: that equity markets now move so insanely fast that they could go off the rails spectacularly. “I can't tell you what all this volume of trading will mean,” says electronic trading pioneer E.E. (Buzzy) Geduld, who sold his firm, Herzog Heine Geduld, to Merrill Lynch in 2000. “I can tell you there may be some unintended consequences and this all may blow up.” Competition and innovation tend to make markets explode from time to time. And while we wouldn't really be able to blame this one on Bernie Madoff, you could say he helped light the fuse. ■

The Afghan Age Divide

A rising generation wants a bigger voice in shaping its nation—starting with the Aug. 20 election

BY ARYN BAKER/KABUL

MUHAMMAD SHAFIQ POPAL is one of Afghan President Hamid Karzai's more formidable opponents—yet he isn't a chieftain, a warlord or even a candidate in the Aug. 20 Afghanistan presidential election. Just 30 years old, Popal is a rare individual in the country: a community organizer who heads the Afghanistan Youth National and Social Organization (AYNSO), an NGO that, in a nation marked by division, transcends religion, ethnicity and tribe. AYNSO's broad objective is to promote democracy and human rights. But Popal's current objective is much more specific: mobilizing AYNSO's 32,000 members to unseat Karzai, who he believes has done little to address the needs of Afghanistan's youth. "The present government doesn't understand our value," says Popal. "That has to change." Nearby, at Kabul University, Qudisia Zohab, a freshman studying literature, says her classmates spend more time on the coming election than on their coming exam. "Most of the university students will vote," she says—but not for Karzai. "There is a feeling that he doesn't work for young people."

That Afghanistan is even holding an election is practically a miracle. The year is far from over, but it's already the bloodiest since the fall of the Taliban in 2001. Large swaths of the southern and eastern regions of the country are under the control of militants, while some security analysts estimate that the Taliban has a permanent presence in at least 70% of the nation. As the election



'The young are the only ones that can rehabilitate our country, because you cannot start over with the old generation.'

Shafiq Popal, 30, leader of a youth organization



'The old way of respecting our elders is changing. We are educated, and we are young, and our vote will be different.'

Qudsia Zohab, 24, student at Kabul University



'If we give young, talented and ambitious people opportunities, think what we could do for our country.'

Yusuf Shabir Mohseni, 23, manager at Moby Group

nears, the frequency and ferocity of attacks by insurgents have spiked. The U.N. reports that in the first six months of 2009, civilian casualties from such attacks—as well as from friendly fire—are 24% higher than in the corresponding period last year. July was the worst month ever for the NATO-led coalition forces: 76 soldiers were killed, more than half of them Americans.

That's why this election is so crucial. Afghanistan last went to the polls in 2004, in what was widely seen as a referendum on Karzai as the interim leader after U.S. forces arrived three years earlier. It was the first time Afghans had ever elected a President, and while many hoped for change, the Karzai government soon reverted to the traditional practices of top-down leadership and relying on personal connections and patronage to run the country. That approach may work with the older generation, but it's left many youths frustrated. More than 70% of the country's 33 million people are under the age of 30, and estimates of registered voters ages 18 to 25 range from 8 million to 10 million, out of a total of 17 million. While today's young Afghans have experienced the ravages of war, they have also witnessed—as refugees or through TV and the Internet—an alternative: governments accountable to the public. "People assume the elders will tell the young how to vote," says 38-year-old Jahid Mohseni, CEO of the media organization Moby Group. "Young people still respect their elders, but they have developed a capacity to think for themselves. And the candidates that neglect that vote may be in for a surprise."

While security is a daily concern for most Afghans, the young in particular want a government committed to eliminating the corruption plaguing the country and to generating jobs that go to people who deserve them. Many youths feel that Karzai, with his emphasis on building relationships with tribal elders, warlords and other traditional power brokers, is not their man.

Besides the President, there are 40 candidates on the ballot, but only two are contenders: Dr. Abdullah Abdullah, a onetime Foreign Minister, and Ashraf Ghani, Karzai's former Finance Minister, who used to be an analyst with the World Bank. In a recently released poll conducted by U.S. pollsters Glevum Associates in July, Ghani was considered a long shot—garnering only a 4% rating, compared with Abdullah's 25% and Karzai's 31%. But in recent weeks, the relentlessly pragmatic Ghani has steadily gained ground, according to private polls conducted by nonpartisan groups. Those polls also indicate that Karzai is unlikely to receive the 50% of votes required to avoid a runoff. Whoever joins



Karzai in the second round will largely be the choice of the youth vote. For AYNOSO, that individual is Ghani, whose platform includes government hiring based on merit, job creation through financial incentives and the modernizing of school curriculums to help bring the country into the 21st century. "Lots of candidates promise that they support the youth, but with Ghani, he says how he will do it," says Popal.

In Search of Honest Work

ESMATULLAH KOSAR IS SOMEONE WHO very much wants to be judged on his merits. A slight, shy 24-year-old, Kosar has just returned from three years of studying in a Bangalore university, on a scholarship from the Indian government. At age 2, Kosar lost his father in the war against the Soviets. His mother, a member of the Hazara ethnic group heavily persecuted by the Taliban regime, saw her sons' education as the family's ticket out of desperation. Kosar thought his fluent English and

new bachelor's degree in human resources and management would guarantee him a good job in a country crying out for professionals. When he got an interview as a human-resources assistant in a government ministry, he was confident of getting the job—until he encountered the interviewer. "I was more knowledgeable than he was, and I was supposed to be his assistant," says Kosar. He was rejected. The same thing had happened to most of the other graduates in his scholarship program. "Thousands of graduates are coming out every year with talent and skills, but they cannot get jobs because those in higher posts are not professionals, so they are threatened by the younger generations who really know something."

Disillusioned, many young Afghans try to find jobs overseas—sometimes with tragic results. In April, on the border with Pakistan, 62 young Afghans were found suffocated to death in a shipping container stuffed with some 100 illegal migrants. They had been bound for Iran. The esti-



'I decided to run because people in politics today are the same old faces. I wanted to be the candidate with new ideas.'

Sayed Hussain Fakhri, 20, near left, the youngest candidate for a seat on Kabul's provincial council

mated number of illegal migrants fleeing Afghanistan last year was 600,000—nearly double the number in 2006. According to Basir, a human trafficker who asked that his full name not be used, most of the migrants are young and educated—"middle class, with enough money to pay me but not enough to live without a job." Though business is good for him—the going rate to Turkey is \$6,000, Europe up to \$15,000—Basir is ambivalent about the exodus: "If the youth are leaving, that means there is no future for Afghanistan."

The needless deaths of so many young Afghans has sparked nationwide soul-searching and inspired at least one young Afghan to do something. At 20 years old, Sayed Hussain Fakhri is the youngest Afghan running for a seat on the Kabul provincial council, a position similar to that of a state congressman in the U.S. "There is no excuse for men to be going away and dying for jobs," says Fakhri. That's what made me think I should run for office, to see if I could change that."

Because so many young Afghans feel that the government has failed them, some are taking control of their future and helping other youths in the process. Moby Group is Afghanistan's most influential broadcaster, having created a hugely popular local version of *American Idol* called *Afghan Star* as well as a program in which young Afghans argue, through debates, about why they should hold high office. CEO Mohseni chalks up Moby's success to its emphasis on young personnel: he reckons the average age of his 600 employees is 24. "They are a generation with fresh ideas," he says. "If [this generation is] earning an income and is engaged and involved, you have a better chance of moving the whole country forward."

Hope amid Despair

IN AFGHANISTAN, IT IS OFTEN SAID THAT the definition of *Taliban* (which literally means students) is "young man without a job." The Taliban, points out 23-year-old Moby manager Yusuf Shabir Mohseni (no relation to Jahid), started as a youth move-

ment frustrated with injustices during the civil war of the early 1990s—injustices that Yusuf Mohseni feels still abound. "It just doesn't seem like the government is paying attention to what is really needed to fix this country," he says. "If young people are left in the dark, what do you think will happen in 10 years? The Taliban." Most young Afghans interviewed for this story believe the best—and simplest—way to defeat the militants is to give idle youth gainful employment. "We want to feel like we are part of society, that we can contribute and that our voices can be heard," says Kosar. "When you don't find that in normal life, you look elsewhere."

Twenty-year-old Shafiq Shah is an extreme example of that. He was arrested after his explosives-laden Toyota failed to detonate near his intended target: four foreigners working for an aid organization. Shah has spent the past several months in Kabul's Pul-e Charkhi prison, where he was eventually moved to an isolation wing because of his aggressive proselytizing. He is intelligent, charismatic and wholly dedicated to the downfall of the current government. While he says the Afghan leadership isn't sufficiently Islamic, the real target of his rage is what he considers an absence of justice: "Afghanistan is a society where men rape children and go free. In the Taliban time, if they arrested a robber, they would kill him. If a butcher was cheating his customers, they would cut off his fingers."

Though Shah is a radical, literature student Zohab sees his point. After being denied an education for so long under the Taliban regime, she is finally able to pursue her dream of getting a degree by taking night courses while working at the Kabul Museum. Still, she says, she suffers periodic harassment as she enters and leaves the campus. She has been called names, threatened, even beaten. Appeals to the police never help. These days she goes to school only if her father or brother can drop her off. "I love Afghanistan," she says, "but sometimes I feel like I hate Afghans. Even if the economy improves and there are jobs after graduation, it is worth nothing if we [women] don't feel safe."

A constant sense of insecurity coupled with a chronic lack of opportunity: Afghanistan sees a nation in perpetual crisis, with no respite for young and old. But it is in the nature of youth to be optimistic, and Yusuf Mohseni, for one, finds hope in the coming election. "I do see a future, provided we choose the right person," he says. "If I can influence one person and he influences one person, we can all change. Who does the country have but us?" —WITH REPORTING BY SHAH MAHMOOD BARAKZAI/KABUL ■

I Can Has Media Empire?

Ben Huh's silly websites are doing what many powerhouses can't: making money online

BY LAURA FITZPATRICK

BEN HUH IS THE FIRST TO ADMIT his company could easily have wound up on FAIL Blog. For the uninitiated, that's his wildly popular website to which users submit photos and videos documenting such colossally stupid moves as writing a billboard partly in Braille and using a trash can as a bike helmet. Like the rest of the 20-odd websites Huh owns, FAIL Blog was added to his empire for no more specific reason, he says, than "Dude, I think it's funny."

These spellbindingly inane blogs were built with the kind of user-generated content that has made Facebook and YouTube tremendously popular. But unlike these bigger sites, Huh's company has been in the black since its first quarter. Pet Holdings managed to haul in seven figures from advertising, licensing fees and merchandise sales during the first six months of this year, according to a report given to Huh's investors. His advertising model is low rent; 30% of ads go for premium prices of up to \$8 per 1,000 page views. The rest can sell for as little as 15¢—but legions of devoted followers pull in the necessary volume. In July, Huh's sites attracted a total of 10.4 million unique visitors, many of whom logged on multiple times a day. His online success has even landed him speaking engagements in the venerable newsrooms of the *Guardian* and the *New York Times*. "There's no way on the planet this should actually work," Huh says of his business plan. "But it's working."

What's working, exactly, is a series of viral humor sites intended simply "to make people happy for five minutes a day," as Huh puts it. Huh, 31, a journalist-turned-dotcom entrepreneur, was born in South Korea and moved to California when he was in his teens. He launched Pet Holdings in 2007



King of the Lolcats Huh in his Seattle office,

where he is turning a profit thanks in large part

when angel investors helped him buy a new website called I Can Has Cheezburger, which is a compendium of "Lolcats," laugh-out-loud feline photos captioned in "kitty pidgin," or artfully misspelled imaginings of cats' inner monologues. (The original Lolcat features a fat gray fur ball gazing longingly past the camera under the heading I CAN HAS CHEEZBURGER?) Huh discovered the site, which was started by two Hawaiian bloggers, when they linked to a photo on his personal blog. His site quickly buckled under the traffic, and he e-mailed to complain—then figured there was money to be made in such a zealous online community.

His other offerings now include Probably Bad News, which catalogs news bloopers, like the headline CHILDREN COOK & SERVE GRANDPARENTS. GraphJam invites users to create statistical commentaries on pop culture, like a pie chart estimating the proportion of e-mails that come from "Friends," "MySpace" or, the largest category, "People Who Want Me to Have a Bigger Penis."

Speaking to the *Times* this year—and echoing what he told the *Guardian* staff and some 1,000 techies at the 2008 Future of Web Apps Expo in London—Huh said the key to making a site take off is connecting it to a cultural phenomenon. I Can Has Cheezburger?, for instance, pokes fun at an oft-maligned, inscrutable household pet,

appealing to cat lovers and others. (Huh is allergic.) FAIL Blog has helped popularize *fail* as both a noun and an exclamation, not to mention an easier-to-spell synonym for *schadenfreude*. Another site, This is Photobomb, gives a name to otherwise perfectly good photos spoiled by an interloper—think streakers in the background of a wedding shot. "Everybody has seen it. Nobody knew what to call it," says Huh.

"The moment you see something like a Photobomb happen, we want you to think of our site," he says. And people do: only a quarter of his users find their way to Huh's blogs through miscellaneous links or social-networking sites such as StumbleUpon and Facebook. The other 75% head directly to his sites, either typing in the URLs or searching for them via Google.

More than anything else, Huh seems to have a knack for nailing the zeitgeist. Any of his sites, after all, could easily have become yet another passing online craze. (Remember the Numa Numa Guy?) Pet Holdings' page views, however, are growing at an annual clip of 300%. Huh admits some sites fall flat: "There's stuff you will never even hear about because it sucks so bad." For example, My Wedding is a Big Deal!, an assortment of bridal *fails*, Photobombs



to a hit website to which users submit photos of cats with laugh-out-loud captions

and other snafus, didn't quite gel. Another contender, called *That's So Racist*—for posting public examples of unintentional racism—was deemed a nonstarter. “We decided to pass on it because the comments would probably just descend into trolling and negativity,” Huh says.

But on the whole, Pet Holdings shows no sign of losing steam. Just the opposite, in fact: the sites are making inroads offline. A Cheezburger-inspired book spent 13 weeks on the New York *Times* paperback best-seller list last winter, and three follow-up titles are on their way this fall. FAIL Blog ink stampers and Lolcats magnetic poetry sell like hotcakes. Contributors to the LOLCat Bible Translation Project, which launched in 2007, are almost through translating the entire Good Book into kitty pidgin. (It opens, “Oh hai. In teh beginnin Ceiling Cat maded teh skiez An da Urfs.”) *I Can Has Cheezburger: The Music LOL!* is scheduled to debut Aug. 14

at the New York International Fringe Festival. The show follows several cats and a “Lolrus” in search of a particular food. “It’s a classic quest arc,” says co-writer Kristyn Pomranz. “We really wanted to explore this holy grail that is a cheeseburger.”

So what’s the secret of Huh’s success? Part of the charm of his sites is that they appear to be put together by rank amateurs. “It’s on purpose,” says Huh. Actually, they’re carefully cultivated by 20 staffers, mostly Seattle-based, including a lapsed lawyer and a former investment banker. The company is hiring roughly one staffer a month and gets some 100 applications for every position. Applicants should not offend easily and must have held a job they hated, says Huh, to better appreciate the joys of spending their days perusing funny photos. Plus, he says, “we want them to have spent serious time goofing off on the Internet.”

The staffers who sift through the 10,000 photos and videos that users submit each

HOW BEN HUH'S BLOGS BEGAN



1/2007

I Can Has Cheezburger? (ICHC), a collection of cat photos with misspelled captions, is born



9/2007

Investors help Huh purchase **ICHC** on the strength of its cult following



3/2008

ICHC helps inspire celebrity-caption site **ROFLrazzi** (as in *Rolling On Floor Laughing* and *paparazzi*)



4/2008

Huh's company, Pet Holdings, buys **FAIL Blog**, the second pillar of the empire



7/2008

ROFLrazzi inspires **Totally Looks Like**, for celebrity doppelgängers (think Clint Eastwood and a gnarled tree)



3/2009

FAIL Blog rejects find a home on **Picture is Unrelated**, for baffling shots like one of a grass-covered car



4/2009

Pet Holdings begins launching, on average, a new viral blog every week



5/2009

FAIL Blog submissions spawn **There, I Fixed It**, for a Styrofoam stick shift and other botched repair jobs



day never write their own jokes or even edit users' captions; they simply cull the best offerings. If something is funny but is a questionable fit for an existing site, they'll start a new one. FAIL Blog, for instance, spawned *There, I Fixed It*, a catalog of such misguided repair jobs as an airplane apparently patched together with duct tape. They're always searching for new memes—jokes or fads that could slip into the virtual jet stream and spread.

Huh, who works in a windowless 8-by-8-ft. server closet, like a Web Wizard of Oz (“It gets really hot with the door shut, so meetings have to be short,” he says), admits he knows what he’s looking for only when he sees it. “You can’t really explain why it’s funny,” he says. “That’s part of the fun.” ■



Listen In

To hear Woodstock's best, visit time.com/woodstock



CULTURE

Taking Stock

Peace, love and—oh yeah, music. The boomers' big weekend turns 40, but how does Woodstock sound after all these years?

BY JOSH TYRANGIEL

LOTS OF PEOPLE NEVER MADE IT to Woodstock, in part because the 400,000 who did caused the most famous traffic jam in New York history. But for those of us who missed it because of the inconvenience of having not yet been born, the concert's 40th anniversary is instinctively less a cause for celebration than an excuse to plug our ears. We know the basics—or think we do. It was three days of music, peace, love and nudity remembered with greater clarity by those who weren't present than those who were. For decades, our boomer elders have wielded that muddy weekend at Max Yasgur's farm as a signature accomplishment. To have not been alive during Woodstock, we're told, was to have missed the freest moment in American history.

Boomers do this regularly, of course—make up stuff about how great they are.

They're also eager consumers of goods that jog the memory of their greatness. This explains the current avalanche of hagiographic Woodstock products—DVDs, oral histories, "40th Anniversary Flashback Edition" paper dolls—which is not the most apt way to recall a moment supposedly unbound from commercialism. (The promoters tried to charge \$24 for a three-day ticket, but the booths and turnstiles were never set up.) But picking one's way through the mess is worthwhile, if only to find *Woodstock—40 Years On: Back to Yasgur's Farm* (Rhino Entertainment Co.), a six-disc collection of 77 tracks, many of which were thought lost, that strips out the mythology and reconstructs Woodstock as it was intended: a musical event.

The eight hours of sound are just a fifth of the overall concert, and thank God. Because Woodstock's first half was honkingly bad. Richie Havens' "Freedom



The Best of Woodstock

"With a Little Help from My Friends"
Joe Cocker

"I Want to Take You Higher"
Sly & the Family Stone

"Soul Sacrifice"
Santana

"The Star-Spangled Banner"
Jimi Hendrix



And I'll try not to sing out of key
Joe Cocker's band tunes up

(Motherless Child)," a song he improvised onstage because other artists were stuck in traffic, is representative of the problem. Absent the day's biggest commercial acts—the Beatles, the Rolling Stones and Bob Dylan declined to participate—the bill tilted toward flute bands and folkies, and they played to a crowd the size of Reno, Nev., as if they were in a coffeehouse. A lot of the rock bands, meanwhile, were stoned out of their minds. (The Grateful Dead sound foggy, even for them.) At least the Who—so enchanted with the vibe that Pete Townshend bonked a speechifying Abbie Hoffman on the head and wrote "Won't Get Fooled Again" in the concert's wake—came off as professional. Not passionate, but professional.

It's clear that no one—not the bands, the organizers or the audience—had a clue what they were supposed to be doing, and with good reason: no one had ever done it

before. Prior to Woodstock there weren't many impromptu six-figure gatherings or stadium tours, so appropriate behavior had to be invented. Luckily a leader emerged near the end of Day Two. Using the only lull in a churning 17-minute medley, Sly Stone explained that singing along isn't old-fashioned, that it wouldn't turn the kids into their parents: "You must dig it is not a fashion in the first place. It is a feeling, and if it was good in the past, it's still good." Moments later the entire city of Woodstock was shouting "Hiiii-yyer."

By Day Three, after Yasgur praised the crowd for proving "that a half million kids can... have three days of fun and music and have nothing but fun and music," the concert had turned great. Not all of it—40 years later and still no one can explain why Sha Na Na was on the bill—but enough so that the collective memory is founded in something real. Performing

live for just the second time, at 4 a.m. no less, Crosby, Stills & Nash delivered a riveting "Suite: Judy Blue Eyes." A few hours later, Jimi Hendrix treated the last 25,000 standing to their own national anthem. But Joe Cocker was the real king of Woodstock. We think of him now as a series of ticks and growls, but his seven-minute version of "With a Little Help from My Friends" begins in complete control, slowly building until halfway through, when his sweet-voiced backup singers ask, "Do you need anybody?" Cocker responds... well, it's hard to describe exactly what he howls. But there's no happier sound. And no matter how long people get together to listen to music, there won't be another moment when singer, song and audience merge so completely. For a few days, a generation of people got high with their friends. It sounds like a small thing, until you hear it. ■

"Suite: Judy Blue Eyes"
Crosby, Stills & Nash

"Somebody to Love"
Jefferson Airplane

"The Letter"
The Incredible String Band

"I Put a Spell on You"
Credence Clearwater Revival

"Simple Song of Freedom"
Tim Hardin

"Joe Hill"
Joan Baez

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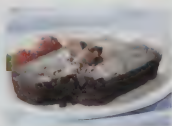
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†† In a 3-month clinical study at Temple University School of Medicine, Nutrisystem program participants lost an average of 18 lbs., and lowered fasting blood sugar levels from 151.2 to 115.2, compared to those following a hospital-directed diet and education plan, who lost 1.1 lbs., and lowered fasting blood sugar levels from 151.4 to 144. Not all menu items were included in the study. Study funded through an unrestricted educational grant from Nutrisystem.

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**Forbes.com, 01/02/08 and 12/23/08.

Having to MacGyver a meal without a kitchen leads to a lot of meat cooked on ironing boards

WEB WATCH, PAGE 47

Life

TECHNOLOGY □ SOCIAL NORMS □ WEB WATCH



TECHNOLOGY

Driving Us to Distraction. Texting is dangerous. Dialing is too. But is hands-free technology that much safer?

BY GILBERT CRUZ WITH
KRISTI OLOFFSON

MOST OF US ARE NEITHER pilots nor astronauts. We are not trained to steer large, hurtling hulks of steel and gasoline while manipulating small computers. So there's something blindingly obvious about the risks of texting

while driving. Yet research is beginning to show that driving while simply talking on a cell phone—including using hands-free technology—can prove dangerous, even deadly.

In late July, the Center for Auto Safety (CAS) released hundreds of pages of a previously buried 2003 National Highway Traffic Safety Ad-

ministration (NHTSA) study that identified the cell phone as a serious safety hazard when used on the road. A bill introduced last month in the Senate would require all states to impose a ban on texting while driving; 17 states (including, most recently, Illinois, on Aug. 6) and the District of Columbia have passed such

a ban, and seven states have outlawed driver use of hand-held communication devices altogether. Transportation Secretary Ray LaHood considers cell phones such a problem that he is planning a summit next month to discuss the dangers of driving while distracted. And though it's impossible to accurately gauge how

many car accidents nationwide are cell phone related, David Strayer, a psychology professor at the University of Utah, estimates that only 2% of people are able to safely multitask while driving.

Strayer, who for more than a decade has been studying the effects driving and cell-phone use have on the brain, says those 2% are probably the same people who would be really good fighter pilots. Rarities. Some of Strayer's other findings show that most drivers tend to stare straight ahead while using a cell phone and are less influenced by peripheral vision. In other words, "cell phones," he says, "make you blind to your own bad driving."

And even though the common assumption is that hands-free technology has mitigated the more dangerous side effects of cell-phone use—it's just like talking to someone sitting next to you, isn't it?—a series of 2007 simulator tests conducted by Strayer seems to indicate the opposite. A passenger acted as another set of eyes for the driver in the test and even stopped or started talking depending on the difficulty of conditions outside the car. Meanwhile, half the drivers talking on a hands-free phone failed, bypassing the rest area the test had called for them to stop at.

Part of the problem may be that when people direct their attention to sound, the visual capacity of their brain decreases, says Steven Yantis, a professor of psychology and brain sciences at Johns Hopkins University. It can be as if a driver is seeing the image in her head of the person she is talking to, thereby decreasing her ability to see



Block That Call. New services to reduce driver distraction

Key2SafeDriving

key2safedriving.net
Parents can set up a password-protected profile that won't allow calls or texts when a Bluetooth device detects that the car is in motion.
\$99, then \$10 per month for Web services

Aegis Mobility DriveAssist

aegismobility.com
Downloaded software will use a phone's GPS to determine whether it is in a moving vehicle, then log incoming calls and texts, and respond with a message that you're driving.
\$6 to \$12 per month

ZoomSafer

zoomsafer.com
The least restrictive of these three products, this downloadable software lets you dictate text messages and updates to social-networking sites while you're driving.
Free; premium subscription is \$5 per month

Simulator studies indicate that only 2% of people are able to safely multitask while driving

what's actually in front of her. "When people are listening to a cell-phone conversation, they're slower to respond to things they're looking at," Yantis says. "It requires you to select one thing at the cost of being less able to respond to other things."

This may explain why participants in one of Strayer's simulator studies were faster to brake and caused fewer crashes when they had a .08% blood-alcohol content than while sober and talking on a cell phone.

Scientists at the Virginia Tech Transportation Institute are skeptical, however, of simulator studies. In July the institute released a data analysis of the behavior of scores of drivers who agreed to have a camera placed in their vehicle for a year or so. After examining footage that preceded crashes and near crashes, the researchers concluded that while manual manipulation of a cell phone (dialing and texting) led to a greater risk of an accident, simple participation in a phone conversation (talking or listening) did not lead to a statistically significant increase in risk. The study will be presented next month at the first international conference on driver distraction and inattention, in Göteborg, Sweden.

In spite of the proliferation of anti-cell-phone laws, drivers' habits don't appear to be changing. A 2008 Nationwide Mutual Insurance survey

found that only 63% of drivers planned to abide by laws prohibiting cell phones. So parents, employers and insurance companies are stepping in to help minimize driver distraction. In the next few months, several technology start-ups will release new products for phones that can detect when a car is in motion and automatically log incoming calls and texts much as a personal assistant would. All the products have provisions that allow both incoming and outgoing calls during emergencies.

Knowing that people will be unlikely to volunteer for a service that takes away their phone privileges, Nationwide has partnered with one of the start-ups and is planning to offer a discounted rate for those who use the distraction reducer. The insurer says its discount will most likely cover the cost of Aegis Mobility's DriveAssist, which will be available next year.

Meanwhile, the CAS is calling for more draconian measures. Now that it has uncovered the NHTSA research, it is filing a petition calling for all new cars to have a device installed that allows only emergency calls. "We do not see how [NHTSA] can turn down a problem that's rapidly turning out to be as bad as drunk driving," says Clarence Ditlow, CAS's executive director. "We're asking that technology be installed in cars to disable their cell phones whenever you shift out of park."

Though Ditlow admits that such a move could be years away, the organization's goal remains to "make talking and driving as socially unacceptable as drinking and driving," he says. "It's just a question of when we get there."

SOCIAL NORMS

Empty-Nest Workshops. As kids leave home, a cottage industry awaits parents looking to reconnect



BY BONNIE ROCHMAN

THIS WE KNOW: FIRST COMES love, then comes marriage, then comes baby in a baby carriage. But what happens when baby grows up and moves out? The answer, increasingly, is parents cough up cash to attend an empty-nest workshop.

There's a growing cottage industry of experts who contend that sending kids off into the great wide open deserves at least as much attention as preparing to have them in the first place. Community centers and churches around the country are tuning in to the problem and hosting seminars in which parents try to reignite their relationship and figure out how to move forward as a twosome. Marriage therapists Claudia and David Arp call this stage "the second half of marriage."

The run-up to freshman year in college may be so exhausting (hip-hop lessons!

swim team! traveling soccer leagues!) that parents feel they hardly know each other—and, sometimes, themselves. "One of the most common things we hear is, 'We're sitting at the breakfast table, just the two of us, and we don't know what to talk about,'" says David Arp, who led an empty-nest training session with his wife last month at the annual Smart Marriages conference in Orlando, Fla. Carmen Hough, 55, who this spring completed a 12-week workshop in Jonesboro, Ga., puts it more bluntly: "You only have 18 years with your children. Then it's you and your husband, and if he's not your best friend, it's going to take an adjustment."

That's where the Arps' book *10 Great Dates for Empty Nesters* comes in. It encourages couples to go on dates where, in lieu of small talk, they work through exercises in the book. (The original *10 Great Dates* is being

used at, among other places, North Carolina's Fort Bragg, where deploying soldiers are given a copy to help keep them connected to their sweeties, albeit via video-conferencing.) The dates are designed for couples to hash out hot-button issues—including money, sex and anger—or to negotiate new household roles that take into account chores the kids used to tackle.

Forging a fresh identity can be particularly rough for stay-at-home moms, says Natalie Caine of Los Angeles-based Empty Nest Support Services, which offers private phone sessions and seminars that rely on art therapy and journaling. "This is a grieving process for some parents," says Caine, who in October will counsel empty nesters at a spa retreat in California. "They can't just 'get over it.'" (One of her suggestions for moms in mourning: throw a party and ask the guests to bring a card on which they've written what their empty-nester pal would be "fabulous at giving the world now.")

Interestingly, parents who feel good about the way their kids have turned out tend to cope better, while those who aren't as confident have a harder time, says Norval Glenn, a sociology professor at the University of Texas at Austin who specializes in marriage.

Either way, parents shouldn't get too used to the echoing hallways, since the recession often means an empty nest won't stay empty for long. And when adult children come home to roost, says Cheryl Pickford, 54, who recently completed an empty-nest workshop in Adrian, Mich., "it's a totally different ball game." Boundaries rule. "If you're not good at saying no," says Caine, "gear up."



WEB WATCH

Strangely Appetizing. A site for young foodies

You have to work hard to gross out a generation that grew up with the Internet. But Food2.com, a website for millennials that launched in May and already has a million unique visitors each month, does a pretty good job. To tout a contest for the best food photography, it showcased a fried-egg-and-bacon burger on a bun made of two doughnuts (above). A recurring segment called " WTFood?" featured a British supermarket that was selling a Wimbledon special—sausage, strawberries, crème fraîche and mint—that sounded bad even for British food.

According to market-research firm Mintel, two-thirds of millennials consider themselves cooking enthusiasts, and 22% say they try to eat gourmet food whenever they can. "They like to share stuff with their friends, and food is something you can talk about," says Carol Phillips, who teaches marketing at Notre Dame. "It's a connection."

Cooking also remains a good way to get some. Food2, an offshoot of the Food Network, has a dating show that makes contestants MacGyver a meal without a kitchen, leading to a lot of meat cooked on car engines and ironing boards. The only thing, it seems, more important to millennials than getting some is being on camera.

—BY JOEL STEIN



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STEPHEN KIM AND BILL POWELL ON SEOUL

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PHONE WARS ■ THINKING BIG ■ MEGACITIES



PHONE WARS

Nokia Plays It (Not Too) Smart. Why try to outcool Apple? There are billions to be made in midlevel smart phones

BY ADAM SMITH

CAST YOUR MIND BACK FOR A SECOND TO 2005. The forecast for Nokia was as sunny and clear as an endless Finnish summer day. The world's biggest cell-phone maker had just launched the N series, a clever new line that packed a Web browser, video, music and pictures into a single phone. The devices moved Nokia a generation ahead in the race to build the first real smart phone.

Then came iPhone. With its clever touchscreen and snazzy software and services, Apple's phone—launched in 2007 and dismissed privately by Nokia execs unimpressed by its engineering—won rave reviews, millions of customers and, crucially, a rep for cool. Today, Nokia sells a dozen times as many phones as Apple or Canada's Research In Motion (RIM), which makes the BlackBerry. But *Nokia* and *cool* are two words consumers haven't put to

Mobile mobile sales The company's retail reach across India is a key advantage

gether lately and aren't likely to soon. And therein lies opportunity.

Forget trying to outcool Apple and RIM. Instead, Nokia's best bet may be to make smart—but not too smart—phones at an affordable price and sell millions of them to emerging-market consumers ready to move up the phone-tech ladder.

Turning Up the Volume. The market share of smart phones has doubled in the past three years ...



... and Nokia is using value to try to keep pace



SOURCES: CANALYS, STRATEGY ANALYTICS

There's a "major opportunity for Nokia to ... deliver midrange smart phones to the masses," analysts at HSBC wrote in a recent advisory. The middle-income market, they said, was right in Nokia's "sweet spot."

Nokia needs one. Beset by rivals and a global recession, the company saw second-quarter profits drop 66%, to \$536 million on sales of \$14.3 billion. Nokia warned that cell-phone sales will fall 10% this year, which has helped trim 17% from the firm's share price in 2009.

Smart phones account for just 1 in every 7 mobile devices sold. But the segment has doubled its share of the global mobile-phone business over the past three years, and with users craving the added features smart phones offer, its revenues should roughly double, to half the industry total, by 2014, according to Kulbinder Garcha, an analyst at Credit Suisse in London.

To reach that forecast, manufacturers will have to squeeze prices. Doing that, especially in key emerging markets such as Asia and Latin America, will require scale and extensive distribution networks—and on both measures, no-body beats the Finns.

The rewards will probably be considerable. For devices with many of the features of more expensive products but priced from about \$300, the potential market grows to some 400 million users. As many as two-thirds of those consumers are likely to be in emerging markets.

Which is exactly why Nokia is releasing phones like the 5800 XpressMusic and the E63. Designed with developed and developing markets in mind, the 5800 looks a bit like an iPhone. It has a neat touchscreen, plays music and videos and, at \$260, retails for 35% less than a 3G Apple. For \$220, the sleek E63 messenger phone packs all the basics of a BlackBerry Bold at 50% of the price, according to Bonny Joy, a senior analyst at Strategy Analytics in Boston. Shiv Shivakumar, managing director of Nokia in India, says the E63 "is our way of democratizing the qwerty keypad and the whole concept of messaging to the Indian market." In the West, "people have gone from the PC to the converged device," he says. "In India people will skip the PC and go straight for the converged device."

Much of Nokia's developing-market dominance boils down to engineering-cost management. While an iPhone requires around 1,000 components, Garcha says Nokia's 5800 needs only half that number.

In the West, 'people have gone from the PC to the converged device. In India, people will skip the PC and go straight for the converged device.'

—SHIV SHIVAKUMAR, NOKIA

More prosaically, Nokia's real genius is simply in selling phones in more places than anyone else. Nokia is likely to ship more devices worldwide this year than the next three biggest competitors—Korean rivals Samsung and LG and London-based Sony Ericsson—combined.

Consider India. Years of building its business—the first cell-phone call in India, in 1995, was carried over a Nokia phone and a Nokia-deployed network—have established the company as India's biggest supplier by a huge margin. Nokia is sold in 162,000 retailers in India, worth roughly 60% of market share. Many locals refer to their mobile phone as a "Nokia" even when it isn't one. In China, Nokia counts some 30,000 retailers, far more than its rivals. Across the Middle East and Africa, it has an additional 120,000 outlets and enjoys a 52% share. (By comparison, Nokia's slice of the North American market is approximately 10%.)

That kind of presence in emerging markets helps explain why Nokia is blurring the boundary between smart phones and cheaper handsets and trying to entice customers to trade up. In recent months, the firm has unveiled a slew of devices aimed at developing markets, some costing as little as \$60. That might seem a steep price for someone earning a few hundred dollars a month, but for many people in places where electricity is hit or miss at best, a good phone can also act as a computer, an MP3 device or even a video player.

Take Nokia's new 2730 model, which will be available later this year for just over \$110. The 3G device might not have a touchscreen or a swish keypad, but with access to Ovi Mail, Nokia's free e-mail service, it's designed to give consumers in emerging markets their "first Internet experience," says Credit Suisse's Garcha. Adds Alex Lambeck, Nokia's vice president for entry devices: "We believe giving [consumers] this first digital identity will be a way of getting [them], later on, into all sorts of other Internet services."

That outlook no doubt includes extending smart-phone services beyond urban areas. In rural India, where Nokia dominates, locals may not be ready for smart phones quite yet—but they will be. At the Mobile and More outlet in the city of Gwalior in central India, co-owner Gaurav Kukreja's best seller is a no-frills 2G Nokia. But, Kukrejas says, "younger people from villages often go to cities to study. They come back well versed with new technology and with aspirations. They want the latest ... Its time will come." Nokia execs must hope the same applies to them. —WITH REPORTING BY MADHUR SINGH/GWALIOR

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THINKING BIG

Bottled Up. For the social-entrepreneur CEO of Belu, pursuing a purpose might be easier if he pursues a profit too

BY ADAM SMITH

BOTTLED WATER DOESN'T GET MUCH greener than Belu's. The British company's drink was the world's first to become carbon-neutral, in 2006. Its bottles, made from corn, can be composted into soil. Belu's profits, meanwhile, are poured into projects that deliver clean water to parts of the world that lack access to it. And amid the thirst for all things sustainable, this has meant Belu—pronounced Blue—has gone down rather well. Sales of just \$13,000 in 2004, its launch year, rose to close to \$4 million in

2008. Defying the downturn, the company even managed a modest profit.

But getting consumers to buy is only half the battle. All the granola credentials in the world won't fund a promising business. To potential investors, it's pesky things like risk and reward that still matter most. And as an ambitious nonprofit firm surviving in a ferociously competitive sector—rivals include Coca-Cola and Nestlé—Belu has been stymied more than most. "We've struggled to get funding, as Belu is aimed at helping the environment, not lining investors' pockets," says Reed

Clearly successful Belu's Paget created a product that has unassailable green cred

Paget, the Seattle native who is the company's chief executive and founder. "That's put a lot of strain on the company."

Bereft of any experience running a business, Paget actually has a pretty remarkable record at Belu: half a million bottles of its water, each emblazoned with environmentally friendly messages, are sold monthly, and it's now distributed in about 1,000 outlets in Britain. But Belu's potential would be much bigger—global—if it could get funding. With Belu's shares held by its own nonprofit, venture capital and private-equity investors can't expect the usual juicy reward in exchange for financial backing. Offered a savings-account-like return or the chance to buy shares whose dividends accrue to organizations working in the clean-water field, VCs have balked. "I probably would have had more success robbing banks than getting funding from those sources," Paget says.

Environmental charities have been no more forthcoming. Investing in firms like Belu is "not what we're here to do," says a Greenpeace spokesman. "Our role is campaigning." That's left the firm reliant on a limited bunch of angel investors—from Body Shop co-founder Gordon Roddick to Big Issue Invest, experts in backing social enterprises—willing to stomach little or no return in exchange for long-term benefits to the environment. With \$2.5 million raised through 32 painstaking rounds of funding, "the business is massively undercapitalized," says Ben Goldsmith, a London-based philanthropist and VC who's among Belu's creditors. "And that's a challenge."

Why not go the capitalist route and use the profits that a conventionally funded expansion would bring to increase his good works? Pointing to the small profit he's made on modest means, Paget is confident Belu can grow without more serious money. But for the chance to scale up his business, "if we can get it, we would definitely love it," he says.

Paget is adamant, though, that it should be on Belu's terms, not those of a traditional investor. He says it was important "to remove the 'We must maximize profit' from our management system." Sure, Belu needs to be able to sell for more than the cost of production, but, he says, if it came down to more profit vs. more environmental benefit, VCs may suddenly decide they don't want to be that deep a shade of green after all.

But with Belu being unwilling to accept that risk, the cost to the company may be the sustainable growth of a clearly good business. ■

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MEGACITIES

Seoul Amplifies Its Network. The world's most wired metro area is extending city services with its U-city project. The U stands for ubiquitous

BY STEPHEN KIM AND BILL POWELL

IN THE SPRAWLING, DENSELY POPULATED capital city of South Korea, Lee Hye-young and her husband Kim Soon-kyo are nothing if not typical citizens. Which is to say, even the most mundane, everyday aspects of their lives are carried out at technology's leading edge.

Consider their respective commutes to work early one recent morning. Lee clambers onto a city bus, headed to her office job in the southern part of the city. She pays using her radio-frequency identification (RFID) card—it has a computer chip in it—part of a transit program conceived and implemented by the city government. The card is smart enough to calculate the distance she travels on any form of public transit, which determines the fare. She can then use the same card to pay for the taxi she hails to finish her journey to work. Sometimes her husband, the deputy marketing manager at a small chemical company, drives her to work. But not today. A few months ago, he applied online to join a program offered by the city that promises insurance discounts, reduced-cost parking and a tax break if he leaves his car home one business day a week. The city sent him an RFID tag, which he attaches to the windshield so the city can monitor compliance. It took him just minutes to fill out the application on his home computer, and now, he says, he saves the equivalent of \$50 a month. From the city's standpoint, the estimated 10,000 fewer cars on the road each day means less congestion and less air pollution in one of the busiest cities in East Asia.

For a decade, Seoul has had the justifiably reputation of being one of the most wired cities in the world. After the Asian financial crisis devastated the South Korean economy in 1997, the Seoul city government, the national government and the private sector all made a concerted effort to move the country's economy from one reliant on heavy industry to one that included information technology—a shift that by

most measures has been a resounding success. Today, according to data compiled by Strategy Analytics, a U.S.-based technology market-research firm, an astonishing 95% of households in South Korea have a broadband connection. (Tiny Singapore is second, at 88%, and the U.S. comes in at No. 20, with just 60% hooked to broadband.) The entire city of Seoul, whose metro-area population is more than 20 million, is already one giant hot spot, with wireless access available from virtually anywhere within city limits for a small fee.

That level of connectedness, either via high-speed cable or through the ether, has not only transformed South Korea's economy; it has changed forever the way this massive city is governed, how individuals receive services and interact with city hall and how prospective contractors solicit business with the city.

Start with clean government. All city contracts are now put out to bid online, and all bids are posted. That transparency, Seoul Mayor Oh Se-hoon tells *TIME*, has reduced corruption in the city significantly in the past 10 years. "Since all information is disclosed real time over the Internet, influence peddling over the bargaining of government permits becomes impossible," he says. "The online system tracks the flow of approval routes and leaves behind evidence in real time. If a manager holds on to an application for too long, he becomes a suspect. So administration becomes faster and uncorrupt." And while every big-city mayor may boast that his government is less corrupt than the last guy's—and corporate corruption has been an acknowledged problem in South Korea—Seoul has been named the world's most "advanced and efficient e-government" for several years by a U.N.-sponsored e-government-evaluation agency.

The city services accessible via Internet technology are already vast and growing rapidly. When Lee was returning home from work one day, she needed to pick up a copy of her social-security certificate. She did so at a subway station near her office,



1

WIRED DINING
Tables at most restaurants in Seoul have wireless devices that diners touch to signal the waiter—no waving to get service

2

STREAMING
Along Cheonggye Stream, 11 wi-fi hot spots provide free Internet access. Kiosks with touchscreen displays allow users to check on things like air quality

using a fingerprint-recognition kiosk: she placed her thumb on the machine, it read her print, and out popped a copy of the document. If she had so desired, she could have also printed real estate and vehicle registrations. It goes without saying that Lee pays her city taxes and utility bills online—or with her mobile phone's browser—and recently she dialed 120 to find out why the electric company had overcharged her. She was calling the *Dasan Call Center*, a 24/7 government agency that fields all questions regarding city services. A service rep did a quick check, confirmed the error and made sure her bill for the next month would reflect the correction.

Seoul has even greater ambitions. It has begun to implement a project called Ubiquitous Seoul—or U-city—which will extend the city's technological reach. Seoul's nearly 4-mile-long (6 km)



3

PUBLIC UTILITY

Thousands of online-game rooms called PC Baangs let young people socialize, video-chat and play games, while those without access to the Net can surf or send e-mail and documents

4

SMART COMMUTE

A bus-stop LED shows the bus's location. Riders pay using plastic RFID cards, which calculate distance traveled

5

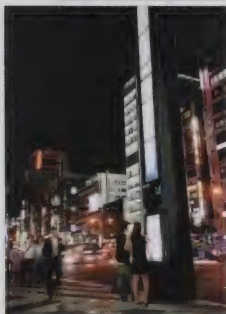
VIRTUAL CITY HALL

Thumbprint-recognition kiosks at subway stations can issue social-security certificates, real estate and vehicle registrations, and tax and other public documents

6

INFO EVERYWHERE

Closed-circuit TVs and sensors allow the city to remotely monitor traffic and air and water quality. The city also tracks drivers who forgo one weekday of driving and gives them special perks like tax breaks



Connected In the heart of Seoul, residents can search for city information using a media pole, top, while in the control room of the main transportation center, above, a worker clicks on an interactive map

Cheonggye Stream walkway, which runs through the high-rises of downtown Seoul, is the site of a U-city pilot project. Via their phones and laptops or on touchscreens located in parks and public plazas, citizens can check air-quality or traffic conditions or even reserve a soccer field in a public park. The city also sends out customized text messages. The city's chief information officer, Song Jung-hee, says those with respiratory problems can get ozone and air pollution alerts, and commuters can get information about which route is the most congested at any given time. The city calls these real-time, location-based services.


Earlier this year, the city rolled out U-safety zones for children, a program using security cameras, a geographic information-system platform and parents' cell-phone numbers. Participating

families equip their kids with a U-tag—an electronic signature applied to a coat or backpack that allows a child to be tracked at all times. If the child leaves a designated ubiquitous-sensor zone near a school or playground, an alarm is automatically triggered alerting parents and the police. The child is then located via his or her mobile phone. The city plans to increase such zones rapidly. To some Americans, the Big Brother-ish qualities of the U-city push can be a tad unnerving. But Seoul officials point out that the U-safety-zone project is entirely voluntary, and the technologically sophisticated citizens seem to have few objections.

Seoul over the past decade has become a hotbed of early adopters, and global powerhouses from Microsoft to Cisco Systems to Nokia use it as a laboratory. The level of connectivity provided by the

city's electronic infrastructure means "ubiquitous life" has become an inescapable catchphrase in Seoul. "Almost all new apartment complexes now advertise home networks and ubiquitous-life features," says Lim Jin-hwan, vice president for solution sales at Samsung Electronics. In a nutshell, that means every electronic device in the home can be controlled from a central keypad or a cell phone. Biorecognition lock systems open apartment doors, and soon, Lim says, facial recognition systems will be introduced.

As megacities continue to grow and become more complex, it's likely that many will have to get wired just to stay manageable. Seoul took the considerable risk of being out front, but it has demonstrated the potential payback when the city government, and not just the citizens, is one of the early adopters.

A full-page photograph of a modern glass skyscraper. The building's facade is composed of a grid of dark frames and large glass panels. Several balconies with metal railings are visible. On the upper balcony, three people are silhouetted against the bright sky, appearing to be in conversation. On the lower balcony, two more people are silhouetted, also looking out. The sky is a clear, pale blue. The overall tone is professional and corporate.

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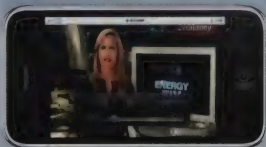
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In Season 3 of *Mad Men*, change
is afoot at the ad agency

TELEVISION, PAGE 54

Arts

MOVIES TELEVISION SHORT LIST



MOVIES

Animajestic.

Does Japan's
movie master
have his first
U.S. hit?

BY RICHARD CORLISS

AN EXHIBITION OF THE MOST RAP-
turous watercolors is currently on
display at U.S. movie theaters. *Ponyo*,
the latest film from anime master
Hayao Miyazaki—Academy Award
winner for his 2001 film, *Spirited
Away*—begins deep in the sea near
a Japanese coastal village, and the
underwater vision is both subtle
and spectacular. Instead of relying
on the usual cartoon bubbles and
wisecracking fish, Miyazaki waves
a wand and establishes his location

Line artist Miyazaki does nearly
all his drawing by hand

with a pastel palette, the gentle undulating of flora and anemones, and Joe Hisaishi's haunting score. You're treated, aurally and visually, to a subterranean symphony.

Animated feature is the official name these days, but the old tag *cartoon* suits the sort of CGI movie—your *Shrek*, your *Ice Age*—that goes for big laughs extracted from outlandish situations. Nothing wrong with that; cartoon comedy is an honorable, entertaining and often artful confection and has been since the days of Mickey Mouse, Betty Boop and the sublime Daffy Duck. But animation can go deeper, have higher stakes. You see that impulse in parts of nearly every Pixar picture: the first sections of *WALL-E* and *Up* have an ambition, a gravity that stretches the format close to that nexus of graceful motion and deep emotion where just about every Miyazaki movie serenely resides.

"He celebrates the quiet moments," says Miyazaki's No. 1 American fan, Pixar creative boss John Lasseter. "It's so rare—especially in Hollywood, where everything is bigger, louder, faster and more of it—to be brave enough to let it just quiet down." That's Miyazaki. Rather than being stocked with high-energy slapstick, his films proceed at a dream walker's pace. They're not dialogue-heavy; they're image-buoyant.

Fish out of Water

IN HIS NATIVE JAPAN, MIYAZAKI, 68, IS PERHAPS the most respected director working in any film form. Still making movies in 2-D, hand-drawn animation, he creates a frame-by-frame storyboard—180,000 drawings for *Ponyo*—that his crew of animators brings to life with minimal help from computers. He is also one of his coun-

When you see Ponyo—and you must—be prepared for an experience that doesn't abide by Hollywood rules

try's biggest star names. His 1997 *Princess Mononoke* was Japan's all-time box-office winner until it was overtaken by *Titanic*; then in 2001, *Spirited Away* topped *Titanic*, and it remains the country's top grosser. *Ponyo* took in \$164.6 million in Japan. Now, with an English-language version supervised by Lasseter and released by Disney, it could become Miyazaki's first U.S. hit.

The story is a hybrid: a loose retelling of Hans Christian Andersen's fable *The Little Mermaid* crossed with souvenirs from Miyazaki's youth. "We used to have tin toys that would float in the bath," he says, "and I thought it might be good to revitalize some old-fashioned toys like that. So I started thinking of a goldfish." The young fish, named Brunhild, is swimming with her sisters in Miyazaki's sea when she escapes this seeming paradise, floating up to the surface and getting her snout stuck in a jar. A 5-year-old boy on the shore yanks her out. He is Sosuke (voiced by Frankie Jonas, the youngest of the Jonas brood, in the U.S. version), and he decides to call his new pet Ponyo.

Sosuke has cut his finger. Ponyo (voiced by Noah Cyrus, the 9-year-old sister of another Disney cash kid, Miley) heals it with her touch, and in briefly tasting his

blood, she starts to become human. She also develops a taste for the food humans like. Mmmm, ham!—more savory than plankton. And in one of the film's many lovely vignettes, she enjoys her first sip of honeyed tea. Ponyo is accepted into the household by Sosuke's mother Lisa (Tina Fey), who works in a senior center; the boy's father Koichi (Matt Damon) is a fisherman whose job keeps him at sea for nights on end.

Absent parents, absent children: *Ponyo* is all about the yearning for a complete family. Ponyo's anxious dad Fujimoto (Liam Neeson) is a king of the sea, with an aging rock star's gaunt face and flowing seaweed hair. Can he let Ponyo desert the water for life on land? Her mom is even more imposing: Gran Mamare (Cate Blanchett), a magnificent sea goddess who will finally calm the tsunami of trouble Ponyo has stirred up.

Depth Perception

THE NOTION OF A TSUNAMI ENGULFING A village has to be startling to Asian viewers, who surely recall the devastation wreaked by the December 2004 Indian Ocean disaster. But in the movie, it's as if Sosuke's town has just gone through a cleansing car wash. "Rather than the tsunami destroying the town," Miyazaki says, "I took it as her own sense of life overflowing, and that helped to revitalize the town. None of the buildings were destroyed in the flood. You can see them all beneath the water. That's magic."

Miyazaki's recent films have boasted an epic sweep, a teeming cast of characters and a two-hour-plus length that proved more daunting than endearing to some viewers. *Ponyo* is closer in tone to his kid-friendly '80s movies: *Castle in the Sky*, about a pair of orphans in pursuit of a floating island; *My Neighbor Totoro*, in which two girls meet some agreeable forest spirits; and *Kiki's Delivery Service*, about a 13-year-old witch who starts her own business. All are artistic triumphs and certified delights—close kin to Lasseter's CGI wizardry and Nick Park's stop-motion *Wallace and Gromit* films. These are Miyazaki's animation amigos: "My comrades in arms," he says, "in trying to keep good quality and commercially viable animation going."

When you see *Ponyo*—and you must—be prepared for a movie that doesn't abide by Hollywood rules. This is a tale for children (yes, of all ages) who are ready to be coaxed into another world through simple words and luscious pictures. Miyazaki knows the secret language of children; he dives deep into the pool of childhood dreams and fears and, through his animagic, takes children down to where they can breathe, and feel, and be free. —REPORTED BY LEV GROSSMAN/SAN DIEGO ■



Girl meets boy The red-haired Ponyo bonds with her savior—or abductor—Sosuke



Close encounters The mother ship hovers over Johannesburg, and company man Wikus (Copley) turns renegade

MOVIES

Space Invaders. *District 9* is a bracing mix of scare-fi and politics. It's also this summer's coolest fantasy

BY RICHARD CORLISS

IF YOU'RE LOOKING FOR THE LATE-SUMMER special-effects action fantasy with big franchise potential, forget about *G.I. Joe: The Rise of Cobra*. (You already forgot? Fine.) Instead, proceed directly to *District 9*, a grimy little scare-fi thriller from South Africa, hitherto unknown as a production center for really cool movies. The picture bears the imprimatur of another gifted outsider, Peter Jackson, who with *The Lord of the Rings* made New Zealand his own little Hollywood. But the real star is director and co-writer Neill Blomkamp, 29, who proves with his first feature that no genre is so tarnished by overuse and misuse that it can't be revived by a smart kid with fresh ideas.

Blomkamp pours his clever notions into a familiar mold: a story of extraterrestrials who come to Earth and are treated like outlaws. Sound schizophrenic? Not to Blomkamp, who grew up in South Africa (before moving to Vancouver at 18 to work in special effects) and who knew from boyhood that he wanted to be a filmmaker. "On one side of my mind you have this place with a crazy racial background, and on the other side of my brain you have this science-

fiction geek," he says. "And then one day the two just mixed, and I decided I wanted to do science fiction in South Africa."

A giant spaceship hovers over a world capital, just as in *The Day the Earth Stood Still*. Only this time it's Johannesburg, not Washington. And the beings that emerge aren't elegant, superior dudes like Michael Rennie and Keanu Reeves; they're large, icky insect types, with wriggling worms where their noses might be. Nor do they issue the lofty proclamation that the peoples of the world must resolve to live in peace (or we'll all be killed). Instead, these space things, more than a million of them, hang around for 20 years in a ratty part of Joburg called District 9 while their vehicle awaits the spare parts it needs to make the trip home.

By now, most earthlings are less afraid

than annoyed; they see the illegal aliens as just another class of lowlife troublemakers. Because they also look like creepy crustaceans, they are slapped with the derisive term *prawns*. They possess weapons no human can fire, but a gang of Nigerian thugs buys up most of the stash anyway, while supplying the creatures with women who'll engage in interspecies prostitution. When local resentment reaches its boiling point, a private firm gets a government contract to cattle-herd the furriners to a new settlement, far from the city. To enforce this transgalactic apartheid, the head of the company calls on his naive, underachieving but very game son-in-law Wikus (Sharlto Copley).

It's a dirty job, and it gets dirtier when Wikus is infected with some alien gookum and his left arm turns creature-like. Now he's hunted by both his old firm and the Nigerians who want his prawn arm to fire the space weapons. Classic Hitchcock vectors: a man on the run from two adversaries. In '60s TV-series terms, he's the fugitive and the one-armed man. Out of options, he must find help from the species he and his kind have subjugated and slaughtered. In this monster movie, the monster is us.

Evicted and imprisoned, deprived of their rights, the aliens could be the Palestinians in Gaza, the detainees in Guantánamo or, transparently, black South Africans for the 46 years of apartheid and, in effect, for centuries before. (The title is a play on District Six, a vibrant mixed-race area of Cape Town that was declared whites-only in 1966, after which 60,000 of its residents were

'It became clear that all these very serious topics ... would start to shine through the science-fiction-esque veneer.'

—DIRECTOR NEILL BLOMKAMP



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A tradition of being non-traditional.

forcibly removed.) In his 2005 rough draft for *District 9*, the short film *Alive in Joburg*, Blomkamp didn't foreground the political elements. But while writing the feature script with Terri Tatchell, he became aware "that all these very serious topics about racism and xenophobia and segregation would start to shine through the science-fictionesque veneer," he says. "I had to be very careful that I didn't get too close to these serious topics with a film that's mostly a summer thrill ride." He told himself, "It's your first film. Use it as satire. Chill out."

The seriousness is apparent yet not obtrusive. Whites seem to run the country, the corporations and the media, much as they did under apartheid, but that will hardly register with international audiences conditioned to see a parade of Caucasians in action movies. What is more likely to grab viewers is the dynamic storytelling (partly in mockumentary form), the gruesome yet sympathetic aliens, the robot suit that briefly turns Wikus into Iron Man, and the surfeit of body parts exploding. Like David Cronenberg—especially in his masterpiece, *The Fly*—Blomkamp is fascinated by the ways our bodies morph, decay and betray us. And like Jackson's early, grotty films (*Bad Taste*, *Braindead*—the titles say it all), *District 9* revels in its mixture of horror and loopy humor and in the propensity for

odd-looking creatures to suddenly go *splat!*

Even more impressive is the way this feature-film novice director sells his vision of Johannesburg as a dusty sump hole, a place of sapping heat and blinding glare. The creatures aren't caressed with the moody lighting of most monster films; by sticking them out in the sun, Blomkamp demystifies them and shows off their CGI sophistication. (Virtually all the aliens were created digitally; he used very few puppets.) "I wanted the image to feel incredibly raw and unmanipulated," he says, "almost like it came straight from the camera sensors right onto the screen. So instead of setting the shot up and really making a big deal of the effects and then going back to normal footage, I wanted it to feel as if the effects were completely part of the scene."

Blomkamp, who directed three shorts in the *Halo* video-game universe, was hired by Jackson to make a *Halo* feature. That

District 9* revels in its mixture of horror and loopy humor and in the propensity for odd-looking creatures to suddenly go *splat!

project foundered after a few months, and Jackson proposed that Blomkamp make a different feature right away. He resuscitated the *Alive in Joburg* idea, expanding and improving it into *District 9*. Jackson even let Blomkamp cast Copley, a high school pal who had never acted, in the lead. Amazingly, Copley carries the film, bringing to a most demanding role the scheming dimness of Harry Dean Stanton mixed with the dogged, unwarranted optimism of Steve Carell. Jackson, says Blomkamp, is "the guy that allowed everything to happen." Through the shoot and editing, "he'd always say, 'Make the film you want to make.'" Wise teacher; star pupil.

We ruin no surprises by saying that at the end of the film, there's the promise of a sequel. Blomkamp swears that the possibility didn't occur to him until the last week of filming. "Now that I've started thinking about it, I would love to make another movie," he says. "I'd go back. But only if it's successful—only if people want it back."

They will. They'd better. For *District 9* proves that genre films, besides being a hell of a lot of fun, can say things you hadn't considered and show stuff you haven't seen. There can be few anticipations more pleasant than the promise of Blomkamp's second terrific movie. Bring on *District 10*.

—REPORTED BY LEV GROSSMAN ■

MOVIES

Worth Your Time, Traveler.

A fateful love story earns its tears

BY RICHARD CORLISS

HENRY (ERIC BANA) IS ON THE JOB IN A Chicago public library when a woman he's never met walks up to him and says dewily, "I've loved you all my life." She's Clare (Rachel McAdams), a young artist, and in her past—Henry's future—he has visited her and won her undying devotion. Henry, you see, has the gift or curse of time traveling: disappearing from one temporal and spatial reality to pop up, naked, in another. That's a science-fiction trope familiar to fans of *The Terminator*, but Henry is no action-fantasy god. He's just a guy whose body has a wanderlust he can't harness. That's why, as he tells the besotted Clare, "I never wanted anything in my life that I couldn't stand losing." Of course they're destined to be each other's one and only loves.



Life ends, love doesn't Bana and McAdams share one of many soulful, doleful moments

Audrey Niffenegger's 2003 best seller *The Time Traveler's Wife* is so plangent a tale of fatal love, with two adorable people fighting to beat the odds against them, that it's surprising it took six years for it to get to the big screen. (Brad Pitt, who might have lent his soulful hunkitude to Henry, is an executive producer.) The film version, directed by Robert Schwentke, is soppy enough to suit the requirements of the weepie genre but with an aching solidity that allows you to surrender to its cuddly-creepy feelings without hating yourself in the morning.

Put a harsh light on the story and it's

an old disease-of-the-week TV movie, if "chrono displacement" is an illness covered by the Obama health-care plan. Henry eventually learns to control his ailment, to the extent that he can lurch back through time and meet Clare when she was a child. This is a powerful device: lovers often wish they could have met their soul mates in their youth. His time traveling into the future also allows Clare to have an adulterous affair with her own husband. (It's very complicated.) But Henry and Clare get intimations of human mortality. Niffenegger knows the secret of many a romance, from *Romeo and Juliet* to *Titanic*: that a love story is stronger if enveloped in the threat of death.

It's a familiar path for scripter Bruce Joel Rubin, who won an Oscar for *Ghost*, and for McAdams, who applied her exorbitant dimples and loving laser stare to *The Notebook*. Bana, who played another wandering husband for laughs in *Funny People*, hits just the right tone of hangdog perplexity.

In a film era that thinks sentiment is a big silly joke, *The Time Traveler's Wife* may be as out of its time as poor Henry. But for viewers aching for a romantic drama that leaves them emotionally, honorably exhausted, this could prove a total immersion in star-crossed love, if not perfect synchronicity. They'll return to it, time after time. ■



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A tradition of being non-traditional.



Checked past Betty (Jones) and Don (Hamm) are divided by his secrets

TELEVISION

The Pauses That Refresh. Back for its third season, the sexy, smart *Mad Men* is still working its silences

BY JAMES PONIEWOZIK

BEFORE THE DRAMA *MAD MEN* COULD RETURN for its third season, AMC and creator Matthew Weiner had to resolve a conflict over—fittingly for a series set on Madison Avenue—advertising. The network wanted to add two minutes of ads; Weiner didn't want to cut the show. The eventual compromise—each episode will run an hour and two minutes—preserves the show's generous run time, 48 minutes or so sans commercials, compared with 42-ish for most network dramas. And what does *Mad Men* need the extra time for?

Nothing.

I don't mean that as an insult. *Mad Men* (Sundays, 10 p.m. E.T.) is an exquisitely written and acted show. It re-creates its early-'60s settings with painstaking detail and creates its characters' inner lives with piercing insight. But as quotable and sexy as *Mad Men* is, what distinguishes it from most TV dramas, even the best, is its empty spaces. The silent pause in the front seat of a car as a man drives with his wife; the look a newlywed gives her husband, wondering what she might have gotten herself into. TV has a high metabolism today, jumping and cutting to cram ever more story into less space. *Mad Men*'s willingness to let moments play out seems as much a period flourish as its fedoras and highballs.

(Speaking of silence, *Mad Men*'s makers, and some fans, are sensitive about details leaking, including what year the new season is set in. So if you want to be unspoiled, stop here.)

Season 3 picks up several months after Season 2 ended, in spring 1963. Don Draper (Jon Hamm), an ad executive who changed his identity to hide his poor background, has returned to his wife Betty (January Jones), who's taken him back after a string of infidelities. Yet in the first episode, when he's away from Betty and sees another chance to adopt a new persona, he slips into it like an old pair of loafers.

Don isn't a heel, entirely; Hamm plays him as charming, philosophical, in some ways rigidly honorable. But he has a deep belief, rooted in his beginnings as an unwanted child, that life is unfair, truth is relative, identity is malleable, and people are, ultimately, alone. This makes him a bad husband—and an excellent adman.

Don Draper isn't a heel. But he has a deep belief that life is unfair, truth is relative, identity is malleable, and people are, ultimately, alone

When his firm does a public image campaign for the company about to raze New York City landmark Penn Station, he lays out a pitch that could be his personal creed. "If you don't like what is being said, change the conversation," he advises. What distinguishes America, he says, is its ability to erase the past: "Change is neither good or bad. It simply is."

Change is afoot at his ad agency, Sterling Cooper. A British firm has bought it out, cutting head count by a third and playing the remaining employees against one another. One of the new overlords, financial officer Lane Pryce (Jared Harris), holds the newly tightened purse strings with a chilly distance from the staff and from the American illusion-weaving that the ad business is built on. Discussing client London Fog (the raincoat maker), he dryly notes, "There is no London fog. Never was. It was the coal dust from the industrial era. Charles Dickens and whatnot."

While the first episode focuses on Don's conflicts, the next two show off *Mad Men*'s deep bench of supporting characters: Peggy (Elisabeth Moss), a copywriter trying to find fulfillment in a business still largely about selling male fantasy; comely secretary Joan (Christina Hendricks)—a male fantasy incarnate—talking herself into happiness as the wife of a doctor who date-raped her last season; Roger (John Slattery), engineering a self-reinvention of his own with a second wife barely older than his scotch. The spectacular third episode weaves their stories together in a funny and touching fugue of character moments.

Mad Men is about the gulf between image and reality, in advertising, in its characters' lives and in 1963 America. But Weiner steers clear of more obvious period cues, opting for obscure markers like Pepsi's introduction of Patio Diet Cola. The episodes are filled with the ghosts of a dirtier, more raw America, from Don's Depression childhood to a bartender who remembers New Mexico when it was a territory. Even the sets have memory; the prop masters take care to mix in furnishings from the '40s and '50s because no one lives in a home with all-new period décor.

Mad Men's history is more real for being less obvious. It isn't so much a story about 1963 as it is a palimpsest of the years of history that preceded it, all of which shape the future and private lives. (The JFK assassination is deftly foreshadowed by the date on a wedding invitation.)

It all makes for a rich, captivating series to look at. And listen to. Even, or especially, when it's not saying anything at all. ■

Short List

TIME'S PICKS FOR THE WEEK



1 DVD Julia

Hail Tilda Swinton, queen of the indies. The fearless Scot, an Oscar winner for *Michael Clayton*, throws herself off the cliff of every role—like the promiscuous boozier she inhabits in Erick Zonca's woozy, semifascinating drama. Swinton's commitment to the role is intense, heroic and mesmerizing.

2 BOOK The White Queen

Philippa Gregory turns real-life historical royalty into royally entertaining novels like *The Other Boleyn Girl*. Her new series is about Elizabeth Woodville Grey, a widowed beauty who secretly married England's King Edward IV—just in time for the Wars of the Roses.

3 DVD Katyn

Polish lion Andrzej Wajda, 83, has directed bold, vigorous films for six decades, but rarely one as personal as his history of the 1940 Soviet massacre of 15,000 Polish officers, including Wajda's father. Etched in anger and sorrow, this is horrifying, mandatory viewing.

4 BOOK An Expensive Education

Michael Teak has dashing looks, a Harvard pedigree and an earnest wish to do good in the world. Unfortunately, spy work in Africa doesn't always turn out that way. But in Nick McDonell's well-plotted thriller, it does make for a wild and unexpectedly moving ride.

5 SONG She Wolf

Finally someone's written a song about female lycans! And of course that someone is Shakira, the world's best-loved trashy singer. Every line of this synthed-up disco tune will make you laugh—especially the midverse howl—but it'll get you dancing too.

Arts Online
For more reviews and openings this weekend, go to time.com/entertainment



John Slattery's Short List

The versatile Slattery has a two-decade-long résumé in TV, movies and theater. On Aug. 16 he returns to the hit series *Mad Men*, for which he recently received a best-supporting-actor Emmy nomination. When Slattery takes a break from the smoke-filled rooms at Sterling Cooper, he's listening to the poetry of "the best band in the biz" or admiring monarchs on the Great White Way.

Sketch artists

The hilarious, neurotic Gil Faizon and George St. Geegland of *Oh, Hello Show* on funnyordie.com are my two favorite characters right now. It's funny, improv sketch comedy—when it's good, it's great, and those guys are great.

Boston accents

Black Mass by Dick Lehr is the story of James (Whitey) Bulger and Stephen (the Rifleman) Flemmi, two legendary wiseguys in Boston during the 1970s. My family grew up in Boston, and I can hear the voices of those guys. The sound conjures up a lot.

Feuding queens

The blood feud between Mary, Queen of Scots, and Elizabeth I of England in Broadway's *Mary Stuart* is a thrill. Harriet Walter's voice, her cadence... you feel it must be what Queen Elizabeth was like. And in a play like that, people think the Brits have it all over the Americans, but John Benjamin Hickey, who plays Robert Dudley, Earl of Leicester, matches them step for step.

Gotham pizza

Giorgione Restaurant on Spring Street is a great New York spot—everything from the oysters to the brick-oven pizza is done with care and attention.

The best band around

Wilco (The Album) is another brilliant offering from the best band in the biz. They take the poetry of lead singer Jeff Tweedy and make it rock. They never repeat themselves, and they take chances. They're students of music and sound and poetry.





Nancy

Gibbs

Kid Math. It costs more than \$220,000 to raise a child—and that's before paying for college. So what's it really worth?

THIS IS THE TIME OF YEAR—SECOND ONLY TO DECEMBER, maybe—when we're reminded how much kids cost. It's nice when states suspend their sales tax for a week of back-to-school shopping, but it doesn't change the fact that somehow we have to start over in September: new sneakers, new notebooks, maybe a new lunch box, because *SpongeBob* is so last season. Even in hard times, economists have found, children are "recession resistant." As investments, they are living proof of irrational exuberance, a leading indicator of our loss of fiscal discipline.

BabyCenter.com offers a calculator to help determine the cost of raising a child; I wonder how great a deterrent this represents. It uses figures from an annual report from the U.S. Department of Agriculture, which I suppose would be the expert in growing corn—or kids. This year's report says a typical family will spend about \$221,000 raising a child through age 17; that's 21% more than families spent the year I was born. Food and clothing are cheaper now, but housing and health care cost more.

Turns out parents get a bulk discount: people with only one child spend 25% more per child than families with two, and by the time you have three or more, you are spending 22% less on each one.

The government can't begin to measure the hidden costs, of course, of sleep or sanity or solitude. It fails to factor in marginal expenditures on window-repairing, rug-cleaning, photo-processing, cell phones, sedatives. I'm thinking the bureaucrats have not been to a mall lately, since their tables allow about \$60 a month for kids' shoes and clothes. It is true that globalization has driven apparel prices down over the years, but if you have daughters, you confront the annual phenomenon whereby the clothes shrink as the prices rise, leaving you wildly grateful for a school dress code requiring that shoulders and navels be covered.

And then, of course, there is the time spent, whose dollar figure is incalculable, though one study says it's worth more than the cash laid out. Parenthood means never really being alone, until the day the kids leave

home and you're left with no idea what to do with all the time and energy you used to spend chasing after them. Maybe I'll finally learn to knit. Or cook something with more than three ingredients. Or slide the years of accumulated photographs into fresh, matching albums, the images incubating as memory to hatch as history.

The economist behind this year's report is used to hearing people marvel at how much kids cost.

"I tell them children also have many benefits," he says, "so you have to keep that in mind." There are,


for instance, all the things parents probably don't do as often when the kids are grown. Will we still make bonfires on the beach, collect driftwood and fairy glass, make s'mores even though no one really likes them, since marshmallows surpass superglue for stickiness? Will we still carve jack-o'-lanterns, color Easter eggs—or will holidays feel like formalities? I wonder if I'll miss Cheez Doodles and Jelly Bellies. I'm pretty sure I won't be buying them anymore.

Children cost a lot up front, but with the right management strategies, you

can get a decent return on investment. Helping with homework lets you learn all the math now that you never learned then. Kids give you an excuse to work on your fastball. They're excellent bed warmers, and small fingers can untie hopeless knots. They remind you to be brave and trusting, and that few things worth accomplishing are ever achieved without making a mess first. They often say better prayers than you could ever think to. They smell really good, at least when they're clean.

And yes, they are reminders of our mortality—in fact, I know I'm going gray a lot faster than I would have had I been childless, especially now that I have a teenager. But it's a cosmic gift that, in letting us grow up with them, they keep us young, so that sometime maybe we pass each other, the student becoming the teacher, the parent the child, and we will sit back and marvel at who they've become, knowing they are now smarter and stronger than we are. We'll savor their company and feel safe in their hands. Care to put a price on that?





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Sources: Insurance Institute for Highway Safety Fatality Facts 2007; Centers for Disease Control and Prevention, Web-based Injury Statistics Query and Reporting System (WISQARS) [Online] (2008). The Cupped Hands logo is a registered service mark and "That's Allstate's Stand" is a service mark of Allstate Insurance Company, Northbrook, IL. © 2009 Allstate Insurance Company